LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00242 5149

Airline Restructuring Impact On British Columbia's Airports

Report

For:

Ministry of Employment and Investment
Economic Development Division/Economics Branch
Victoria, B.C.
V8W 9N3

By:

McNeal & Associates Consultants Ltd.
500-4440 Stark Street
Richmond, B.C.
V7B 1A1
Tel: (604) 273-8471
Fax; (604) 273-8496
Email: 103403.2455@compuserve.com

March, 2000

Executive Summary

Canada's airline industry is currently being restructured due to Air Canada's recent purchase of Canadian Airlines International (CAI). As a result, flight consolidation is occurring on many of the routes that were formerly shared by the two airlines. On February 9, 2000, Air Canada and CAI released highlights of an integrated summer flight schedule showing a 15% reduction in seat-miles on domestic routes.

The purpose of this report is to study the effect that airline restructuring will have on British Columbia's 18 community airports. Specifically, this report examines the impact of flight consolidation in terms of revenue and employment levels. The report also addresses the steps taken by the Federal Government to assuage consumers' concerns regarding Air Canada's near monopoly. It also discusses other related issues which would effect community airports.

This report's findings are largely based on a survey questionnaire that was completed by 15 of the 18 community airports.

Financial Impact

Prior to their merger, both airlines frequently offered identical flights departing within minutes of one another. Because of this duplication, each flight often had low load factors (percentage of occupied seats). In fact, half of the British Columbia's airports had an average annual load factor of less than 50%. Ideally, load factors of 65-75% provide air carriers with a viable route service while, at the same time, providing customers with a reasonable level of service.

To examine the results of flight consolidation, a model was created by combining parallel flights that now are scheduled to depart within 30 minutes of each other. The result of this model is a 22.8% reduction in flights and a subsequent loss in the landing fees collected by airports. However, if larger aircraft are used, the higher landing fees may compensate the reduced frequencies.

Despite the prediction of fewer flights, British Columbia's airports expect an overall passenger traffic increase of 6% in 2000. This increase translates to an increase in revenue generated through Passenger Facility Charges (PFCs), airport concession, parking and other revenues related to passenger volumes.

The impact of airline restructuring can be examined on an airport to airport basis by combining the potential loss of revenue generated from landing fees and the predicted increase in fees related to passenger volumes. When this is done, it appears that only a few airports will experience overall reductions in revenue. To combat losses, these airports may choose to implement or to increase passenger facility charges. Although the Airports Capital Assistance Program (ACAP) is an important source of capital improvement funds, it is doubtful that the Federal Government will increase funding.

Employment

As far as employment levels are concerned, the airport staff reductions that resulted from the transition from Transport Canada already have most airports operating at core staffing levels. An overall increase of 2.8% airport employees is predicted at British Columbia's airports.

Consumers' Concerns

To combat potential problems arising from Air Canada's near monopoly, the Federal government unveiled legislation on February 17, 2000 to monitor and police airline competition and pricing. The legislation also requires Air Canada to uphold its commitment to continue its existing services to smaller communities for the next three years, after which it is free to terminate these services.

Overall Conclusions

Airline restructuring could see negative effects on some community airports but, overall, they shouldn't be that large.

Many of British Columbia's community airports require capital investment funding.

Recommendations

Provincial government should monitor the restructuring of the airline industry and consider the effects of any future termination of air services at low-volume community airports.

Table of Contents

1 Introduction 5
1.1 Study Objectives 6
1.2 Approach and Scope 6
1.3 Report Outline 6
2 Airline Restructuring in Canada 8
2.1 The Overcapacity Problem 8
2.2 Merger Proposals 8
2.3 Current Airline Restructuring Developments 10
2.4 Airline Competition Legislation 11
3 Air Carrier Services in British Columbia 12
4 Community Airport Survey 18
5 Airport Survey Analysis 19
5.1 Airport Survey Response 19
5.2 Traffic Analysis 19
5.3 Employment Impact 21
5.4 Airport Financial Position 22
5.5 Airport Managers Comments 24
6 Alternative Flight Consolidation Scenarios 25
7 A Merged Flight Schedule and Its Impact on Airports 27
7.1 Pre-Merger Schedule 27
7.2 Post-Merger Schedule Scenario 29
7.3 Post-Merger Load Factors 30
7.4 Impact Results 31
7.5 Net Financial Effects 32
8 Federal Government Legislation 34
8.1 Background 34
8.2 Competition Bureau 34
8.3 Policy Framework 34
8.4 Parliamentary Committees 35
8.5 Legislation 36
9 Other Related Issues 37
9.1 Possible Changes to the Airports Capital Assistance Program (ACAP) 37
9.2 Proposed Airport Firefighting Regulations 37
9.3 NAV Canada Fees and Charges 38
9.4 Airport Personnel 38
10 Alternate Sources of Airport Revenue 39
10.1 Airports Capital Assistance Program (ACAP) 39
10.2 Air Transport Assistance Program (ATAP) 39
10.3 Passenger Facility Charge (PFC) 39
11 Conclusions and Recommendations 41
11.1 Airline Schedule Changes and Resulting Traffic Analysis 41
11.2 Airport Analysis 41
11.3 Traffic Analysis 42
11.4 Firefighting Issue 42
11.5 Airports Capital Assistance Program (ACAP) 42
11.6 Passenger Facility Charge (PFC) 43
11.7 Overall Conclusions 43
11.8 Recommendations 43

Tables

Table 1 – Main Passenger Traffic Flows 14
Table 2 – BC Airports Scheduled Flight Summary 15
Table 3 – British Columbia Airports Passenger Traffic 16
Table 4 – Historical and 2000 Estimated Traffic 20
Table 5 – BC Airports Passenger Traffic Comparison 1988 to 1998 21
Table 6 – Direct Employment (Employees Full & Part-time) 21
Table 7 – Financial Summary Figures 23
Table 8 – Airport Managers' Comments 24
Table 9 – Number of Two-Way Available Seats (Pre-Merger) 28
Table 10 – Current E/D Traffic and Load Factor (Pre-Merger) – (1999) 29
Table 11 – Number of Two Way Available Seats (Post-Merger Scenario) 30
Table 12 – Projected E/D Traffic and Load Factor (Post-Merger Scenario) 31
Table 13 – Net Financial Effects 32
Table 14 – ACAP & ATAP Funding 40

Figures

Figure 1 – 1988 Traffic Patterns 12

Appendices

I Airline Restructuring in Canada
II Airline Restructuring Events
III Additional Flight Schedule Details
IV Questionnaire
V Airport Manager's Comments
VI Federal Government Legislature

Airline Restructuring Impact On British Columbia's Airports

1 Introduction

Canada's airline industry is being restructured. This restructuring is due to the recent purchase of Canadian Airlines International (CAI) by Air Canada and the resulting consolidation of air service schedules. This restructuring will not only affect the Canadian airline industry and consumers, it will also impact Canadian airports that depend on airline revenues. Flight consolidations are now occurring on many routes where the number of available seats was excessive and where flights were scheduled to depart within minutes of each other.

Flight consolidations are expected to particularly affect those smaller community airports that have lower passenger and cargo volumes and that have fewer daily flights than their larger counterparts. A reduction of only one or two daily flights at these smaller community airports can significantly affect their ability to generate the revenue sufficient to cover operating costs, let alone their capital requirements.

There are 18 airports in British Columbia, not including Vancouver International Airport, that are currently served by the regional subsidiary air carriers of Air Canada, Canadian Airlines, or both. In some cases, these regional subsidiaries, AirBC and Canadian Regional Airlines, have, in turn, subcontracted some of their route services to Tier III airlines such as Central Mountain Air and Coastal Pacific Airlines that use smaller capacity aircraft. British Columbia's three largest regional airports are categorized in the National Airport System (NAS) and lease their airports from Transport Canada. The three NAS airports in British Columbia are Victoria, Kelowna and Prince George. These larger airports, in addition to being served by AirBC and Canadian Regional Airlines, are also served by the low-cost airline, WestJet Airlines. Horizon Air, the US-based regional subsidiary of Alaska Airlines also provides transborder services in Victoria and Kelowna. There are currently 28 NAS airports in Canada, each handling over 100,000 passengers annually.

The Province of British Columbia is concerned about the possible negative effect of the airline restructuring will have on the provincial economy with regard to:

- employment
- air service
- airfares
- future financial viability of community airports

Prior to Air Canada's take-over of Canadian Airlines, the provincial government had Moncrieff Management Limited conduct an initial analysis of the various restructuring proposals being offered in order to determine the possible impact of that airline restructuring on the province. However, the Moncrieff report did not address, in detail, the issue of community airport viability with regard to lower airline revenues and fewer airport employees resulting from airline schedule consolidation. McNeal & Associates Consultants Ltd. (McNeal & Associates) was subsequently retained to conduct an analysis as to the possible impact of airline restructuring on British Columbia community airports.

1.1 Study Objectives

The primary objective of the study was to determine the possible impact on British Columbia's community airports currently served by AirBC, Canadian Regional Airlines and their subcontracted air carriers. Specifically, the objectives were to determine possible changes in airport revenue and employment levels from the consolidation of regional and Tier III route schedules in the province.

1.2 Approach and Scope

The data and information sources used in the study were obtained from various published sources including trade magazines, Statistics Canada, and Internet web pages. A questionnaire was also used to collect relevant information from each of the 18 British Columbia community airports with scheduled service in order to supplement information as well as obtain individual comments and viewpoints from airport managers concerning the possible impacts of airline restructuring. Of the 18 community airports, 15 completed the questionnaires. These were used extensively in the subsequent analysis to determine the key impacts and to form general conclusions about the future financial viability of British Columbia's community airports after airline restructuring.

1.3 Report Outline

The report outline format contains the following synopses:

- **Introduction**

  Provides background information on airline restructuring and the Government of British Columbia's concerns regarding the possible impact on community airports in the province.

- **Airline Restructuring**

  An overview of Canadian airline restructuring events are provided in chronological order to show the process that has been undertaken to date, including an announced new merged air service schedule to take place this summer.

- **Air Carrier Service in British Columbia**

  Describes how the regional air service network has evolved in British Columbia with regard to route service patterns, communities served, aircraft used and traffic carried. Possible changes due to air service consolidation of schedules between AirBC and Canadian Regional Airlines are discussed.

- **Community Airport Survey**

  Describes how the questionnaire was designed, identifies the airport survey respondents and outlines the follow-up procedures used to obtain completed survey questionnaires.

- **Airport Survey Analysis**

  Discusses the analysis of the completed survey and the results of the findings. It examines the airport's financial performance with airline flight consolidation and well as airport employment levels.

- **Alternative Flight Consolidation Scenarios**

A number of scenarios with regard to flight consolidations were developed. These examined a reduction in air service and therefore airline revenues that the airports would collect from the airlines. The scenarios illustrate the financial impact of reduced flight frequency in relation to the status quo.

- **A Merged Flight Schedule and its Impact on Airports**

The most likely flight schedule consolidation scenario is presented using flight-by-flight analysis at each airport and combining flights that depart within 30 minutes of each other. The impact of this schedule consolidation is shown in terms of airport revenue generation.

- **Federal Government Legislation**

Outlines the new federal legislation regarding airline competition and the government watchdog's role in monitoring compliance. In particular, Air Canada's commitment to continue its service to communities is discussed.

- **Other Related Issues**

Discusses a number of other related issues that could have an impact on the financial viability of British Columbia's airports. These include possible changes in Airports Capitals Assistance Program (ACAP) funding, the impact of proposed airport fire fighting costs (CARS 308) on smaller airports, NAV Canada's fees and charges on aircraft movements and obtaining trained personnel to operate and manage airports.

- **Alternate Sources of Airport Revenue**

Discusses alternate sources of airport revenue to counter reduced revenue from the airlines. This focuses on passenger facility charges and other user fees that many airports have turned to for revenue. The merits of these user fees are examined.

- **Report Summary and Recommendations**

Presents the key finding and conclusions. The consultant's recommendations are provided as well as possible courses of action that Province of British Columbia could take to assist community airports.

2 Airline Restructuring in Canada

This section provides a brief summary of the airline restructuring process that is taking place in Canada. It describes, in chronological order, the events over the last six months that have led to the current situation whereby Air Canada has purchased Canadian Airlines and is now merging the two airline schedules as part of an airline industry restructuring. The section concludes with a discussion regarding recent changes to air services in British Columbia and how they will likely impact community airports. The Appendix I provides a more detailed version.

2.1 The Overcapacity Problem

The basic problem with the Canadian airline industry is that it has been offering more seats than the traffic warrents. For many years, Canada has had two major airlines, Air Canada and Canadian Airlines, both competing on domestic and international routes. Since the deregulation of the Canadian airline industry over a decade ago, both airlines have been free to offer domestic service with routes and fares that were dictated by the market. The federal government even allowed the two airlines to compete on some international routes. Because of this, Air Canada, Canadian Airlines and their regional carriers have been strong competitors in nearly all the markets they have served.

In 1996, Canadian Airlines saw its marketing strategy in trouble and entered into a restructuring plan. With union co-operation and assistance from its new equity partner, American Airlines, the restructuring plan seemed to be working. Costs were trimmed by $800 million by cutting domestic capacity, revamping route patterns and improving employee productivity. However, these gains were lost by 1998, and Canadian Airlines was faced with financial problems once again. The Asian economic recession had begun and the Asian routes did not perform well enough to provide needed revenue, particularly from code-sharing routes with American Airlines connecting United States traffic to Asia via Vancouver. United States routes were also a disappointment with strong competition from Alaska Airlines. Under a code-sharing agreement, Canadian ceded important California routes to Alaska Airlines. On the domestic routes, Canadian Airlines lost its traditional stronghold in Western Canada with the introduction of WestJet Airlines and it's low-cost jet service. As Canadian Airlines entered 1999, it faced an uncertain future and financial gloom with its domestic market share beginning to slip against competition from WestJet and Air Canada. Despite its financial problems, Canadian tried to remain competitive and match Air Canada's seat capacity and fares in each domestic market. It was a losing battle and Canadian Airlines signalled that it was once again in trouble, and the scene was set for certain airline restructuring in Canada.

2.2 Merger Proposals

In late 1998, Canadian Airlines indicated that it was seeking a further $300-500 million in equity to keep the airline going. American Airlines, as a foreign airline, was restricted to 25% ownership and could not contribute additional funds. Canadian Airlines and Air Canada met in early 1999 to discuss some kind of agreement between the two airlines. Canadian Airlines wanted to obtain a code-share agreement for domestic route sharing while Air Canada wanted to buy Canadian Airlines' international route network. There was no agreement reached on a possible solution. The meeting did, however, illuminate the severity of Canadian Airlines' financial troubles.

Over the next few months, Canadian Airlines publicly declared its financial problems. On August 13, 1999, the Federal Government, in response to Canadian Airlines' distress call, announced that it would relax competition rules for 90 days as allowed under Section 47 of the Canadian Transportation Act, to allow the airlines to discuss restructuring. On the same day, Air Canada stated that it had some $712

million in cash set aside and would look at any routes or assets that Canadian Airlines may want to sell. Air Canada noted that it was particularly interested in Canadian Airlines' international routes and any long-range aircraft that may be for sale; however, Canadian Airlines turned down Air Canada's offer to buy any assets.

A few days later, on August 24th, Onex Corporation, a Toronto based conglomerate, announced that it would buy both Canadian Airlines and Air Canada and merge them into one airline. Under the Onex plan, the new airline would be called Air Canada and be headquartered in Montreal with a subsidiary office in Calgary. The new airline would be partly owned by American Airlines but in a minority position. At that time, the takeover bid for both airlines totalled $1.8 billion and Onex would also assume the $3.9 billion in debt that both airlines held. It was estimated that the merger would result in the loss of some 5,000 jobs as well as other redundant assets.

The Onex announcement provided immediate reaction from a number of quarters:

- The Federal Government, along with American and Canadian Airlines, supported the initiative.
- Consumer groups, Air Canada shareholders, and Air Canada's Board opposed the proposal for various reasons.
- Airline employees and their union representatives were concerned as to possible layoffs.

On November 5th, Judge Andre Wery of the Quebec Superior Court ruled that Onex's bid was illegal since the federal law that privatized the airline limited any single shareholder to 10% of the voting shares. Onex would have acquired 31% of those shares although it had intended to convert its stock into non-voting shares until the Air Canada Act could be amended or eliminated with regard to the ownership limit. Onex withdrew its offer to purchase both airlines the same day as the ruling. The withdrawal of the Onex proposal left only the Air Canada proposal on the table.

Air Canada issued its formal offer to purchase Canadian Airlines on November 15th. The offer was for $2 per share or $92 million and had an expiry date of December 7th. Canadian Airlines and its shareholders accepted the offer; the details of which are:

- ❑ Canadian Airlines to operate as a subsidiary after debt consolidation and as a separate entity for some time.
- ❑ Canadian Airlines to retain its head office in Calgary and be led by a team of Air Canada and Canadian Airlines management.
- ❑ No employees from either airline or their regional subsidiaries to be laid off, but some 2,500 to be cut through attrition, early retirement and voluntary buyouts.
- ❑ All union contracts with Canadian Airlines and its regional airline to be honoured, but to be renegotiated to align work rules and equalize wage levels.
- ❑ Canadian Airlines to begin a restructuring and operational overhaul and seek the elimination of ownership and control by American Airlines.
- ❑ The schedules of Air Canada, Canadian Airlines and regional subsidiaries to be redesigned to meet demand while also addressing profitability objectives and protecting worker's rights. All communities currently served will continue to get air service.
- ❑ Frequent flyer points from both airlines to be honoured and both airlines will code-share on each other's domestic flights.

- A new low-cost carrier based in Hamilton and flying to about 20 destinations, to start in the Spring of 2000 using surplus aircraft from the two airlines. (Delayed until 2001 by Federal Government)

.On December 8th, Air Canada announced it had won control of Canadian Airlines. Over half of the shares had been tendered, including American Airline's 25 % stake and other interests. At the close of the bid period on December 23rd, some 82% of the voting shares had been tendered. Air Canada officially took over Canadian Airlines on January 4, 2000.

2.3 Current Airline Restructuring Developments

Air Canada now effectively controls over 80% of the Canadian domestic business as well as a network of routes to the United States and a strong international presence, particularly in Europe and Asia. It is now the 10th largest airline in the world with some 37,000 employees and 238 jetliners. It is a founding member of the Star Alliance and ranks as a global airline.

On February 9th, Air Canada and Canadian Airlines released highlights of an integrated summer flight schedule. This new schedule will see cuts in service on Canadian domestic routes while emphasizing flights to the United States and international routes where traffic demand is evident and fare yields are higher. Overall, the total system capacity will increase by 2% but domestic routes will have available seat-miles trimmed by 15%. The combined schedule includes 30 new routes, 11 additional destinations and 380 more transborder flights a week. Despite the reduction in domestic capacity, all the Canadian communities previously served by Air Canada, Canadian Airlines or their regional subsidiaries will continue to be served.

Full details regarding changes to the combined summer schedule for Western Canada have not been released. It is known that Vancouver will continue to be a hub airport for increased Asian services to Taipei, Hong Kong, Beijing, Tokyo and Seoul that will see an additional 13% growth in available seat-miles. A new route to Shanghai is planned for later in the year. There will be hourly flights scheduled to Toronto and new non-stop services to Halifax, Washington, D.C., Denver, Spokane and to Mexico City from Vancouver. There will also be increased transborder frequencies. Victoria will get direct, year-round service to Toronto, bypassing Vancouver. Kelowna will also have direct service to Toronto.

On January 20th, Air Canada announced that it was merging Air Nova, Air Ontario and AirBC into one entity. This merger will affect air service in British Columbia as routes are rationalized. The merged regional air carrier will have nearly 3,000 employees and serve 84 destinations. It will operate a fleet of 82 aircraft and have annual revenues in excess of $880 million.

The new regional airline plans to take over Canadian Regional Airlines if it is not sold as part of Air Canada's restructuring agreement with the Federal Government. Adding Canadian Regional Airlines will bring another 54 aircraft and 2,000 more employees, making it one of the world's largest regional airlines. The corporate headquarters for the merged regional airline will be in Toronto but its operations and repair and maintenance facilities will be spread across the country. Joe Randell, the former President of Air Nova in Halifax, will head it.

It is known that the new merged Air Canada regional airline and Canadian Regional Airlines will alter service in British Columbia as well as Quebec, Ontario and Atlantic Canada:

- Nine DHC-8 turboprop aircraft will be transferred from Western Canada. These aircraft will be used to replace former InterCanadian route services after its bankruptcy as well as supplement the growing transborder routes.

- Three former InterCanadian F-28 jet aircraft, which had been leased from Canadian Regional Airlines, may return to Western Canada.
- Jet service will be reintroduced into some northern British Columbia communities, particularly on flights over one hour in duration such as Vancouver to Terrace and Smithers.
- DHC-8s will likely be used to replace some of Central Mountain Air' smaller Beech 1900Ds on some interior routes but at reduced frequencies.
- The Beech 1900Ds will be redeployed to Alberta and other routes. The DHC-8 will replace Pacific Coastal Airlines services to Nanaimo and Campbell River.

It can be expected that the merged airline will use jet aircraft to compete with WestJet Airlines on certain high-volume routes in Western Canada. This would include jet service from Vancouver into Victoria, Kelowna and Prince George. A new route, in and out of Abbotsford, may also be introduced due to the success of WestJet Airlines' services into Abbotsford. WestJet Airlines currently operates a fleet of 15 older Boeing 737-200s but has recently announced that it is expanding into Eastern Canada and adding new aircraft. On February 25th, WestJet announced that it would order 20 Boeing 737-700s from Boeing and lease 10 Boeing 737s from GE Capital Aviation Services. This is the first step in an 8-year plan to add up to 70 next-generation jetliners to their fleet. The first new aircraft will be in service by June 2001. It is doubtful that WestJet will consider additional destinations in British Columbia since the Boeing 737 requires about 100,000 passengers a year to justify its large seating capacity.

2.4 Airline Competition Legislation

A major concern of the Federal Government, as well as consumer groups, is that Air Canada now has a near monopoly on Canadian domestic routes. WestJet Airlines and Canada's charter airlines (Canada 3000, Royal Airlines, SkyServices and Air Transat) do not have the available capacity to compete effectively with Air Canada. Despite Air Canada's agreement to a number of concessions in order to obtain Federal Government approval for the takeover of Canadian Airlines (such as selling Canadian Regional Airlines, opening slots and gate positions at Toronto airport, and delaying its plans to start a low–cost airline at Hamilton for a year) there is fear that Air Canada could use its monopoly powers to restrict competition and raise fares.

On February 17th, the Federal Government unveiled legislation to monitor and police airline competition and pricing. The legislation is aimed directly at Air Canada to punish, should it start to exercise its monopoly. The new legislation has harsh penalties with a maximum penalty of 5 years of imprisonment or a $10 million fine or both. Further details of the legislation and other Federal Government plans to monitor and control the airline industry are discussed later in the report.

Appendix II provides a chronological index of airline restructuring events.

3 Air Carrier Services in British Columbia

The air service route pattern in British Columbia is essentially a hub and spoke system with the centre in Vancouver and only a few point-to-point routes between communities in the province. Scheduled air services are provided by:

- AirBC and its affiliate, Central Mountain Air
- Canadian Regional Airlines and its affiliate, Pacific Coastal Airlines
- Some Independent air carriers such as KD Air and Montair Aviation

Following the 1986 "Freedom to Move" policy, the major airlines at the time gradually moved out of the regional markets in British Columbia and transferred these routes to associated regional air carriers, AirBC and Time Air (now Canadian Regional Airlines).

AirBC and Time Air provided the majority of route services although, for a short time, Canadian Airlines retained Boeing 737 jet service to Smithers, Terrace, Prince Rupert and Sandspit, Prince George, Fort St. John and Kelowna. Eventually, even these jet routes were transferred to the regional subsidiaries by 1991. In 1988, there were 20 communities in British Columbia, other than Vancouver, that had scheduled air service. Some 1.8 million passengers travelled to or from these communities and nearly 1.1 million passengers originated or terminated in Vancouver. Over 750,000 passengers travelling to or from these 20 communities connected at Vancouver to other flights. The highest passenger volume routes on an origin-destination basis were:

- Vancouver-Victoria - 552,000 passengers
- Vancouver-Kelowna - 207,000 passengers
- Vancouver-Prince George - 195,000 passengers

Figure 1 shows the 1988 traffic patterns in British Columbia.

Table 1 shows the passenger traffic in 1988.

Figure 1 – 1988 Traffic Patterns

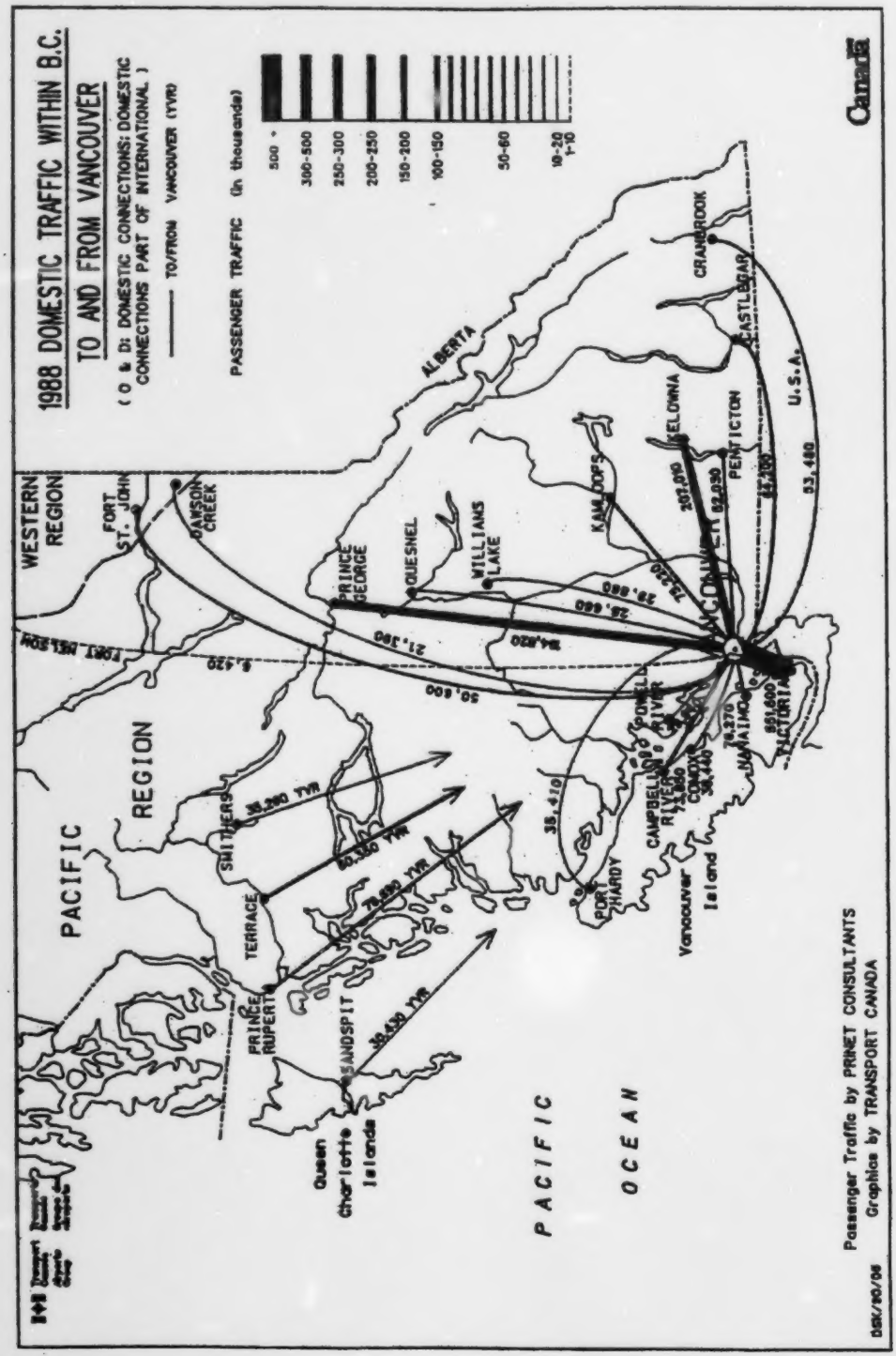

Table 1 – Main Passenger Traffic Flows

Main Passenger Traffic Flows, (O & D and Connecting British Columbia) 1988			
Between Vancouver and	**O & D Domestic**	**Connecting Domestic/Int'l**	**Total**
Victoria	184,710	366,790	551,500
Kelowna	152,540	54,470	207,010
Prince George	129,970	64,850	194,820
Terrance	59,520	20,830	80,350
Prince Rupert	59,660	17,030	76,690
Nanaimo	34,080	42,190	76,270
Kamloops	48,730	26,490	75,220
Campbell River	51,670	22,180	73,850
Castlegar	51,410	12,290	64,200
Cranbrook	42,400	11,080	53,480
Penticton	35,410	16,620	52,030
Fort St. John	28,840	21,260	50,600
Comox	19,080	19,360	38,440
Port Hardy	27,420	7,990	35,410
Smithers	24,840	10,420	35,260
Sandspit	22,350	8,080	30,430
Powell River	24,650	5,290	29,940
Williams Lake	21,220	8,640	29,860
Quesnel	20,020	5,640	25,660
Dawson Creek	15,900	5,490	21,390
Fort Nelson	4,990	1,430	6,420
Total	**1,059,410**	**748,420**	**1,808,830**

Source: Transport Canada B.C. Airports 2000, October 1990

The hub and spoke system of the early 1990s used turboprop aircraft instead of the larger Boeing 737 jet. The 37-seat DHC-8-100 and later, the 50-seat DHC-8-300 were the principal aircraft used by both AirBC and Time Air. The use of these smaller turboprop aircraft resulted in more frequent air service. Instead of a single flight each day with the Boeing 737, several flights were scheduled throughout the day with the smaller aircraft. AirBC later added a small fleet of 85-seat BAe 146 jets to their route system for air services to northern communities and to routes through to Alberta. Canadian Regional Airlines gradually introduced the 65-seat Fokker F-28-1000, building a fleet of 31 by 1999. These jet aircraft were also used on longer stage length routes. In the late 1990s, both AirBC and Canadian Regional Airlines subcontracted some of their lower volume routes to Tier III air carriers such as Central Mountain Air and Pacific Coastal Airlines using 19-seat Beech 1900Ds and 30-seat Shorts SD360 commuter aircraft. These smaller aircraft supplemented the DHC-8 air service to communities during off-peak times of the day or became the primary aircraft into some of the smaller British Columbia communities.

Table 2 summarizes the current (Full) flight schedules in and out the 18 British Columbia community airports. Appendix III provides additional flight schedule details. It should be noted that there are a considerable number of scheduled flights into the larger NAS airports – Victoria, Kelowna and Prince George. These larger airports, in addition to being served by AirBC and Canadian Regional Airline, also

have Westjet Airline Boeing 737 service. In Victoria and Kelowna, Horizon Air provides transborder flights to the United States.

Table 2 - B.C. Airports Scheduled Flight Summary

BC Airports – Schedule Flight Summary Fall 1999 Schedule					
Origin	**To**	**Destination**	**Air Carrier**	**Weekly Flights**	**Aircraft Type**
Campbell River	To	Vancouver	CP	32	Shorts 360
	To		AC	27	Beech 1900
Castlegar	To	Calgary	AC	14	Beech 1900
	To	Vancouver	CP	19	DHC 8
			AC	14	Beech 1900
Cranbrook	To	Calgary	CP	7	Fairchild Metro
			AC	20	Jet Stream 31
	To	Vancouver	CP	19	DHC 8
Comox	To	Vancouver	CP	32	Shorts 360
			AC	13	Beech 1900
Dawson Creek	To	Calgary	AC	6	Beech 1900
		Vancouver	AC		Via Prince George
Fort St. John	To	Edmonton	CP	7	DHC 8
	To	Vancouver	CP	20	DHC 8/F 28 Jet
Kamloops	To	Vancouver	CP	34	DHC 8
			AC	7	Beech 1900
	To	Calgary	CP	27	Beech 1900
Kelowna	To	Calgary	CP	27	DHC 8/F-28 Jet
			AC	6	Beech 1900
			WS	10	Boeing 737 Jet
	To	Vancouver	CP	54	DHC 8/F-28 Jet
			AC	20	DHC 8/Beech 1900
			WS	20	Boeing 737 Jet
	To	Seattle	AS	35	DHC 8
Nanaimo	To	Vancouver	CP	46	Shorts 360
			AC	27	Beech 1900
Penticton	To	Vancouver	CP	14	DHC 8
			AC	14	Beech 1900
	To	Calgary	AC	7	Beech 1900
Prince George	To	Vancouver	CP	41	F-28 Jet
			AC	17	DHC-8/Beech 1900
			WS	10	Boeing 737 Jet
Prince Rupert	To	Vancouver	CP	13	F-28 Jet
Quesnel	To	Vancouver	AC	18	DHC 8/Beech 1900
Sandspit	To	Vancouver	CP	7	F28 Jet
Smithers	To	Vancouver	CP	13	DHC 8
			AC	19	Beech 1900
Terrace	To	Vancouver	CP	20	F-28 Jet
			AC	6	DHC 8
Victoria	To	Edmonton	WS	11	Boeing 737 Jet
	To	Calgary	AC	7	DHC - 8
			WS	11	Boeing 737 Jet
	To	Vancouver	CP	83	DHC 8
			AC	28	DHC 8
	To	Seattle	AS	47	DHC 8

BC Airports – Schedule Flight Summary Fall 1999 Schedule					
Origin	**To**	**Destination**	**Air Carrier**	**Weekly Flights**	**Aircraft Type**
Williams Lake	To	Vancouver	AC	19	DHC 8/Beech 1900

The latest official Statistics Canada passenger traffic figures are for 1997. **Table 3** shows the enplaned/ deplaned passenger figures for 1997 in comparison to 1996.

Table 3 – British Columbia Airports Passenger Traffic

British Columbia Airports Passenger Traffic				
		1997	**1996**	**% change**
NAS Airports				
Victoria		1,038,972	879,367	18.1
Kelowna		749,690	539,352	39.0
Prince George		266,871	254,519	4.9
	Sub-total	2,055,533	1,673,238	
Airports with more than one Air Carrier				
Kamloops		142,141	120,283	18.2
Terrace		99,583	86,570	15.0
Campbell River		77,584	72,092	7.6
Comox		69,925	55,916	25.1
Nanaimo		62,246	118,9548	-47.1
Castlegar		61,038	77,287	-21.0
Cranbrook		60,510	77,002	-21.4
Penticton		57,923	74,583	-22.6
Smithers		48,126	44,853	7.3
	Sub-total	679,076	1,798,134	
Single Air Carrier Airports				
Fort St. John	CP	87,619	71,519	22.5
Prince Rupert	CP	71,687	101,133	-29.1
Williams Lake	AC	38,961	30,654	27.1
Sandspit	CP	32,469	32,107	1.1
Quesnel	AC	29,510	21,946	34.5
Dawson Creek	AC	NA	NA	
	Sub-total	260,246	257,359	
	Grand total	**2,985,852**	**2,658,131**	**12.3**

Source: StatCan

The flight consolidation process of merging AirBC and Canadian Regional Airlines schedules is already taking place with the adjustment of schedule times and the reallocation of aircraft:

- AirBC has transferred three of its DHC-8-300s to Eastern Canada to operate former InterCanadian routes
- Two of Canadian Regional Airlines' leased DHC-8s are being returned to their owner.

Currently, Air Canada's schedule planning assumes that Canadian Regional Airlines will not be sold and that Air Canada's regional airline will eventually merge into Air Canada's regional airline. The summer schedule, to become effective in April, will reflect a number of changes in routing, flight frequency and

type of aircraft used. However, Air Canada has assured to the Federal government that communities now served by Air Canada, Canadian Airlines or their regional subsidiaries will not lose air service for at least a three year period.

4 Community Airport Survey

Information on community airport traffic and aircraft routing patterns is not readily available. Similarly, financial data and airport employment figures are equally difficult to locate. Transport Canada did retain some airport information for each of the airports as well as business plans and economic impact studies for the larger airports. With the transfer of ownership of the airports to the communities, current information is not readily available in a published format.

In order to obtain the information needed for an impact analysis, the 18 airports with scheduled services were contacted directly by a questionnaire survey.

The questionnaire was designed to obtain current and forecast traffic, financial and employment information. It also requested information for 1994, prior to NAS and airport transfers from the Transport Canada; however, a number of airports did not have access to the 1994 information. Furthermore, some of the airports were sensitive to release information pertaining to airport revenues and costs. The questionnaire also asked for information concerning capital programs and the use of Transport Canada's Airport Capital Assistance Program (ACAP) or the provincial government's Air Transport Assistance Program (ATAP) funds for capital projects. Airports were also questioned about passenger facility charges and whether or not the airport collected these fees for additional airport revenue. Finally, the questionnaire solicited comments concerning airline restructuring and how restructuring could affect airport operations and financial viability.

The British Columbia Airport Owners and Operators Committee of the BC Aviation Council lent its support to the survey.

Considerable follow-up by phone and fax was done to ensure an adequate response rate. In total, 15 questionnaires were received from the 18 community airports.

Appendix IV provides a copy of the questionnaire that was sent.

5 Airport Survey Analysis

This section summarizes the responses to the airport survey and analyzes the information provided by the individual airports and summaries the results of the analysis.

5.1 Airport Survey Response

Of the 18 community airports in British Columbia, 15 responded to the questionnaire survey. These are all airports that receive scheduled air service from AirBC, Canadian Regional Airlines and/or their subcontractor Tier III air carriers such as Central Mountain Air or Pacific Coastal Airlines.

Many of the airports could not provide information dating from 1994 or the years prior since the facilities had recently been transferred from Transport Canada to local control and the old records were not kept.

Although all the respondents were able to provide traffic data, many were extremely sensitive to revealing airport-specific financial information. For this reason, only a basic financial analysis could be completed. While specific financial details are missing, the consultant believes that sufficient information was provided to assess overall financial impacts as a result of airline restructuring.

5.2 Traffic Analysis

All the airports provided passenger traffic information but only a few had collected any cargo information. Most could provide information on traffic levels for 1994, except for Kamloops and Williams Lake. All provided enplaned/deplaned passenger traffic data for 1998, 1999 as well as a forecast for 2000.

Although most of the respondents view airline consolidation negatively with regard to airport traffic levels, most are still forecasting traffic increases in 2000. The exception is Smithers which estimates a 14% decline in traffic.

- Victoria predicts no growth
- Fort St. John, Quesnel, Kamloops, Nanaimo, Dawson Creek, Prince Rupert and Kelowna forecast slight growth
- Castlegar, Comox, Cranbrook, Terrace and Williams Lake predict traffic increases of ten percent or more.
- Prince George predicts the largest traffic increase in 2000 (42%).

Prince George's increase in traffic is likely a reflection of WestJet's newly introduced air service and a subsequent increase in demand due to lower airfares.

Annual passenger traffic in British Columbia is estimated to increase overall by 6% in 2000. **Table 4** presents a summary of the historical and estimated traffic for 2000.

Table 4– Historical and 2000 Estimated Traffic

Historical and 2000 Estimated Traffic						
	Airports	**1994****	**1998**	**1999**	**Estimated Forecast For 2000**	**% Change (99-2000)**
YLW	Kelowna	317,995	799,663	803,955	825,000	3%
YXC	Cranbrook	79,000	80,687	70,801	82,000	16%
YQQ	Comox	52,000	64,000	55,000	64,000	16%
YXT	Terrace	88,495	96,968	80,139	90,000	12%
YKA	Kamloops	-	155,000	131,240	135,000	3%
YCG	Castlegar	76,950	83,359	70,256	80,000	14%
YCD	Nanaimo	114,000	138,500	138,545	145,000	5%
YXJ	Fort St. John	76,738	96,891	94,095	95,000	1%
YQZ	Quesnel	17,500	19,676	14,753	15,000	2%
YWL	Williams Lake	-	29,009	23,486	26,000	11%
YXS	Prince George	272,298	323,030	316,721	450,000	42%
YPR	Prince Rupert	83,300	63,280	52,700	55,000	4%
YYJ	Victoria	766,670	1,214,229	1,102,936	1,100,000	0%
YDQ	Dawson Creek	36,864	22,277	20,000	21,000	5%
YYD	Smithers	56,926	83,250	75,551	65,000	-14%
Survey Total		**2,038,736**	**3,269,819**	**3,050,179**	**3,248,000**	**6%**

** Does not include Kamloops Airport and Williams Lake Airport as 1994 figures were not provided.

Source: Questionnaire Survey

It is interesting to compare these more recent traffic figures to the traffic levels reported in 1988 as shown in Section 3.0. It can be seen that total traffic has risen from 1.7 million passengers to 3.2 million over the last decade. Table 5 compares the 1988 and 1998 traffic levels at British Columbia's regional airports. It can be noted that traffic levels have increased 88% in the same period. Kelowna has achieved the largest growth rate in traffic followed by Smithers, Victoria and Kamloops. Quesnel, Prince Rupert and Williams Lake, however, have experienced declining traffic over the same ten-year period.

Table 5– BC Airports Passenger Traffic Comparison 1988 to 1998

BC Airports Passenger Traffic Comparison 1988 to 1998			
	1988	**1998**	**% Change**
Victoria	551,500	1,214,229	120.2
Kelowna	207,010	799,663	286.3
Prince George	194,820	323,030	65.8
Terrace	80,350	96,968	20.7
Prince Rupert	76,690	63,280	-17.5
Nanaimo	76,270	138,500	81.6
Kamloops	75,220	155,000	106.1
Campbell River	73,850	NA	-
Castlegar	64,200	83,359	29.8
Cranbrook	53,480	80,687	50.9
Penticton	52,030	NA	-
Fort St. John	50,600	96,891	91.5
Comox	38,440	64,000	66.5
Smithers	35,260	83,250	136.1
Sandspit	30,430	NA	-
Williams Lake	29,860	29,009	-2.8
Quesnel	25,660	19,676	-23.3
Dawson Creek	21,390	22,277	4.1
Total	**1,737,060**	**3,269,819**	**88.2**

Source: Survey & StatCan

5.3 Employment Impact

The questionnaire survey requested information on airport employment. Information regarding airport staff, airline staff and other airport employment was requested. All the respondents submitted information concerning airport staff employment levels but some did not supply information on other employment categories.

The total airport employment is predicted to increase by about 2.8% from 1999 to 2000 from 2,282 employees to 2,347. Airport staff levels are expected to be 195 positions in 2000. Despite airline restructuring, air carrier employment is predicted to increase slightly from 1999 to 2000. Most of this airline employment growth is expected in Prince George. The largest increase is the 'other" employment category and specifically at Kelowna. Purolator courier contracts and aircraft maintenance work is expected to add 60 people at Kelowna Flightcraft operations.

Many of the British Columbia airports have already made significant airport staffing cuts during the transition period from Transport Canada. The small overall change is likely a reflection of the fact that many airports are already operating with the minimum number of core staff. Even with flight reductions, airport staff levels cannot be cut further without affecting basic airport operations.

While Kelowna and Prince George did predict an increase in employment, Terrace and Prince Rupert indicate declines in employment. Both of these airports did not estimate the decline in airport employment but anticipate further reductions in airport staff. **Table 6** summarizes the direct employment from the survey questionnaire for each of the respondent airports.

Table 6 - Direct Employment (Employees Full & Part-time)

		Air Carrier			*Airport*			*Other*			*Total*			*% Change*
		1994	1999*	2000	1994	1999*	2000	1994	1999*	2000	1994	1999*	2000	1999-2000
YLW	Kelowna	50	86	86	23	24	25	400	690	750	473	800	861	7.6%
YXC	Cranbrook	6	7	7	6	3	3	-	-	-	12	10	10	0.0%
YQQ	Comox**	12	13	13	-	1	2	6	8	8	18	22	23	4.5%
YXT	Terrace**	-	14	14	-	12	8	-	-	-	-	26	22	-15.4%
YKA	Kamloops	-	15	15	-	5	5	-	30	30	-	50	50	0.0%
YCG	Castlegar	1	16	16	9	5	5	80	100	100	90	121	121	0.0%
YCD	Nanaimo	10	15	15	30	50	50	-	-	-	40	65	65	0.0%
YXJ	Fort St. John	20	25	27	20	6	6	6	8	8	46	39	41	5.1%
YQZ	Quesnel	7	6	6	10	4	4	-	-	-	17	10	10	0.0%
YWL	Williams Lake	7	7	7	13	4	4	-	-	-	20	11	11	0.0%
YXS	Prince George	35	45	50	51	31	34	17	36	36	103	112	120	7.1%
YPR	Prince Rupert	-	8	8	16	9	7	9	5	5	25	22	20	-9.1%
YYJ	Victoria	-	214	214	-	35	35	-	644	644	-	893	893	0.0%
YDQ	Dawson Creek	-	6	6	-	2	2	-	-	-	-	8	8	0.0%
YYD	Smithers**	-	83	83	11	6	5	-	4	4	11	93	92	-1.1%
Survey Total**		148	560	567	189	197	195	518	1,525	1,585	855	2,282	2,347	2.8%

** 1999 Victoria employment not included as the numbers provided were 1997 employment estimates.*

*** Could not estimate air carrier employment in 2000. We assumed status quo on behalf of airport.*

Source: Survey

5.4 Airport Financial Position

The airports were asked to provide financial information concerning operating and capital costs as well as airport revenues for 1994, 1999, and an estimate for 2000.

Few airports provided 1994 data and the airports that provided 1999 data and 2000 estimates did not consistently provide information for each of the cost and revenue categories. Nevertheless, an overall financial position can be garnered from the survey.

The airport respondents generally indicated positive financial positions for 1999. Those airports served by WestJet as well as AirBC and Canadian Regional Airlines showed the best financial performance.

The total 1999 operating costs of the airports that did provide this information was $18 million in comparison to $24 million in revenue. Personnel-related expenditures totalled $6.9 million and accounted for 38% of total costs. It should be noted that some airports such as Castlegar contract out their airport management so personnel expenditures are recorded as non-personnel expenditures. YVR Services, which provides contract airport management at Fort St. John, Kamloops and Cranbrook, however, did record personnel expenditures.

The airport respondents expect that their 2000 personnel expenditures will generally increase to $7.4 million. Comox expects the largest percentage increase. However, the staff level here only goes from one to two people.. The other airports report more modest personnel expenditure increases. Some airports such as Terrace and Prince George are predicting lower personnel expenditures. Williams Lake predicts the highest percentage increase in non-personnel expenses for 2000.

The airport respondents expect that total airport revenues will increase from $24 million in 1999 to a total of $27.8 million in 2000.

It should be noted that the three NAS airports, Victoria, Kelowna and Prince George, account for well over 73% of the total revenues from the respondent airports.

Table 7 shows the financial summary figures.

Table 7 – Financial Summary Figures

		Personnel Expenditures				Non-Personnel Expenditures				Total Airport Revenue			
		1994	1999	2000**	% Change 1999-2000	1994	1999	2000**	% Change 1999-2000	1994	1999	2000**	% Change 1999-2000
YLW	Kelowna*	$ -	$ 634,666	$ 634,666	n/a	$ -	$ 2,036,068	$ 2,036,068	n/a	$ -	$ 6,650,868	$ 6,650,868	n/a
YXC	Cranbrook	878,666	460,000	470,000	2.2%	341,201	255,000	278,000	3.8%	366,267	824,320	842,226	2.2%
YQQ	Comox	-	51,000	108,000	111.8%	28,000	97,500	104,800	7.5%	197,000	280,000	260,000	-4.4%
YXT	Terrace	-	601,300	421,300	-16.0%	-	1,071,949	1,071,949	0.0%	-	1,077,464	1,163,000	8.6%
YKA	Kamloops	-	-	300,000	n/a	-	-	-	n/a	-	-	-	n/a
YCG	Castlegar	115,200	10,000	10,000	0.0%	613,200	708,800	708,800	0.3%	275,700	-	784,000	n/a
YCD	Nanaimo	180,000	250,000	275,000	10.0%	370,000	465,000	510,000	9.7%	650,000	900,000	1,100,000	22.2%
YXJ	Fort St. John	772,000	327,800	341,000	4.0%	493,000	698,000	668,000	-4.2%	440,000	1,050,000	1,018,000	-3.2%
YQZ	Quesnel	418,438	229,638	241,900	n/a	128,000	275,236	277,300	n/a	84,800	413,727	413,727	n/a
YWL	Williams Lake	-	236,342	284,000	5.8%	-	126,743	176,650	39.4%	-	367,081	475,000	29.4%
YXS	Prince George	1,722,700	1,256,817	1,194,000	-5.0%	816,769	838,000	717,000	-14.4%	1,413,700	3,160,000	3,610,000	14.2%
YPR	Prince Rupert	852,915	472,943	-472,943	n/a	386,800	384,400	384,400	n/a	264,100	841,100	841,100	n/a
YYJ	Victoria	1,407,720	2,330,702	2,487,250	7.2%	1,306,071	3,747,622	3,898,749	4.0%	-	7,797,855	10,102,675	29.6%
YDQ	Dawson Creek	-	-	-	n/a	-	-	-	n/a	100,000	86,800	90,000	n/a
YYD	Smithers	-	190,667	240,000	n/a	-	369,928	253,171	n/a	-	559,815	523,554	n/a
Survey Total		$8,327,841	$8,973,912	$ 7,480,006	7.3%	$ 4,785,061	$11,082,256	$11,060,817	0.0%	$3,801,587	$24,017,730	$ 27,861,550	16.1%

		Personnel Cost (% of Total Costs)		Non-Personnel Cost (% of Total Costs)		Personnel Cost (% of Total Revenue)		Non-Personnel Cost (% of Total Revenue)		Profit Margin (% of Total Revenue)	
		1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
YLW	Kelowna*	24%		76%		10%	10%	31%	31%	60%	60%
YXC	Cranbrook	63%		37%		56%	56%	32%	33%	12%	12%
YQQ	Comox	34%		66%		17%	39%	33%	37%	49%	24%
YXT	Terrace	32%		68%		47%	36%	69%	61%	-46%	-26%
YKA	Kamloops	n/a		n/a		n/a	n/a	n/a	n/a	n/a	n/a
YCG	Castlegar	1%		99%		n/a	1%	n/a	93%	n/a	6%
YCD	Nanaimo	35%		65%		28%	25%	52%	46%	21%	29%
YXJ	Fort St. John	32%		68%		31%	34%	66%	66%	2%	1%
YQZ	Quesnel	45%		55%		56%	56%	67%	67%	-22%	-25%
YWL	Williams Lake	68%		32%		73%	60%	35%	37%	-8%	3%
YXS	Prince George	60%		40%		40%	33%	27%	20%	34%	47%
YPR	Prince Rupert	66%		45%		66%	66%	46%	46%	-2%	-2%
YYJ	Victoria	36%		62%		30%	25%	45%	39%	22%	37%
YDQ	Dawson Creek	n/a		n/a		0%	0%	0%	0%	100%	100%
YYD	Smithers	34%		66%		34%	46%	66%	46%	-1%	6%
Average		39%		61%		29%	27%	46%	40%	25%	33%

* 1999 data has been used to stand in for 1999 data.
** Where 2000 numbers not available, assume 1999 figures

5.5 *Airport Managers Comments*

The questionnaire survey asked for comments from the various airport managers concerning airline restructuring and its impact on their airports. Some of the more frequent concerns include:

- Those airport managers whose airports do not receive WestJet air service are generally pessimistic about the outcome of airline consolidation on their respective airports.
- Many point out that their airports are already in poor competitive positions due to previously reduced flight frequencies, smaller turboprop service and competition from nearby airports with WestJet air service.
- Many indicate that fare levels are already relatively high and expect that higher fares resulting from airline restructuring will further erode traffic demand.
- The expected costs to comply with emergency firefighting provisions are cited as an additional expense that airports could not afford to pay, particularly when revenue from the airlines is expected to decline due to consolidated flight frequency.
- Airport managers note that airline consolidation will likely exacerbate problems with lower levels of service, anticipated higher fares and hence lower traffic volumes.

It is interesting to note that Castlegar, Nanaimo and Dawson Creek expect little impact from airline consolidation. This could mean that these airport managers feel they are at minimum air service levels already. Table 8 summarizes the airport managers' comments – Appendix V provides some of the comments.

Table 8 – Airport Managers' Comments

		Higher airfares	Less discount fares	Lower landing fees	Ground lease reduction	Protected by PFC	Lower levels of service (less frequent)	Fire fighter issue	Loss in terminal fees	Expect little impact	Protected by WestJet service
YLW	Kelowna	x									x
YXC	Cranbrook	x	x	x	x	x	x	x	x		
YQQ	Comox	x					x				
YXT	Terrace	x	x				x	x	x		
YKA	Kamloops	x	x	x	x	x	x	x	x		
YCG	Castlegar						x			x	
YCD	Nanaimo									x	
YXJ	Fort St. John										
YQZ	Quesnel						x				
YWL	Williams Lake						x				
YXS	Prince George						x			x	x
YPR	Prince Rupert						x				
YYJ	Victoria			x	x			x	x		x
YDQ	Dawson Creek									x	
YYD	Smithers			x		x	x		x		

6 Alternative Flight Consolidation Scenarios

A number of flight consolidation scenarios can be developed to illustrate the possible impact on community airports. These alternative scenarios are based on the combination of scheduled air services and the subsequent reduction in air service frequency. The assumption is that both AirBC and Canadian Regional Airlines will continue to operate as separate regional operating divisions in the near future. However, if Canadian Regional Airlines is not sold within the 105 days allocated by the Federal Government, Canadian Regional Airlines will be amalgamated into the new Air Canada regional airline. Air Canada is currently planning its routes on the assumption that Canadian Regional Airlines will not be sold and is, therefore, merging route schedules.

There are other assumptions that could be used in developing alternative schedule scenarios. These could include:

Traffic reductions:

- 25% reduction in passenger traffic
- 35% reduction in passenger traffic
- 50% reduction in passenger traffic

Change in flight frequencies:

- Less than one a day
- Once a day
- Twice a day
- More than twice a day

Aircraft Equipment Changes:

- 19-seat turboprop
- 37-seat turboprop
- 50-seat turboprop
- 65-seat jet
- 85-seat jet

Each of the alternative scenarios or combination of scenarios could have an impact on the traffic levels and hence the airport's financial viability as well as airport staff levels. The analysis of the scenarios takes into consideration the following:

- ❑ Landing Fees and Terminal Charges
  - Fewer flights using larger aircraft with higher landing fees and terminal charges
  - More flights using smaller aircraft with lower landing fees and terminal charges

- ❑ Emergency Response Services (firefighting)
  - Larger aircraft (over 50 seats) require firefighting provisions
  - Smaller aircraft are exempt

- ❑ Airport Space
  - Fewer flights could result in reduced space needed for ticket centres, baggage make-up and offices
  - Merged operations could result in reduced airline space
  - Reduced traffic hinders concession revenue

- Level of Service
  - Fewer flights could increase load factors and air terminal congestion
  - Larger aircraft with fewer flights may require larger terminal areas and split shifts for airport staff

- Employment
  - Fewer flights require less staff

- Capital Project Impacts
  - Larger aircraft could result in additional runway and other infrastructure costs
  - Fewer passengers would hinder the airport's ability to fund capital projects

7 A Merged Flight Schedule and Its Impact on Airports

This section focuses on developing a scenario schedule for an amalgamated regional airline that reduces flight duplication at British Columbia airports. It is assumed that flights now scheduled by Canadian Regional Airlines, AirBC and the subcontracted Tier III air carriers will be combined, particularly those flights that now depart within thirty minutes of each other.

7.1 Pre-Merger Schedule

This report uses the current fall schedule and the Official Airline Guide (AOG) electronic schedule as the basis for the development of a consolidated schedule. For each of the 18 community airports, a summary schedule has been developed, listing all flights in and out. When applicable, these summaries also include flight information for West Jet Airlines and Horizon Air. The type of aircraft used on each flight is recorded, as are the daily and weekly frequencies. These flight frequencies have been converted into annual flights for each airport.

In calculating the number of available seats per year, the following numbers of seats were used for each aircraft type:

Beech 1900 D	18 Seats
Shorts SD-360	30 Seats
DHC 8-100	37 Seats
DHC 8-300	50 Seats
F28-1000	65 Seats (Jet)
BAe 146-200	85 Seats (Jet)
Boeing 737-200	125 Seats (Jet)

The above table shows total number of seats (in and out) for each British Columbia airport prior to merging the schedules. It should be noted that the number of available seats does not account for cancelled flights nor does it account for extra flights.

Table 9– Number of Two-Way Available Seats (Pre-Merger)

NUMBER OF TWO-WAY AVAILABLE SEATS (PRE-MERGER)		
Airport	***Number of Weekly Flights***	***Seats Available Annually***
Campbell River	72	168,000
Castlegar	52	154,400
Comox	64	153,600
Cranbrook	53	158,900
Dawson Creek	6	10,800
Fort Nelson	7	35,000
Fort St. John	27	156,000
Kamloops	87	265,400
Kelowna	188	1,105,000
Nanaimo	101	237,000
Penticton	41	100,400
Prince George	91	597, 700
Prince Rupert	13	84,500
Quesnel	18	55,200
Sandspit	7	45,500
Smithers	30	74,900
Terrace	31	170,700
Victoria	241	1,329,700
Williams Lake	19	57,000
Total	***1,148***	***4,959,700***

Source: Based on Official Airline Guide Winter Schedule

Table 9 shows that almost 5 million seats are available to and from these community airports.

Information regarding annual passenger traffic is used to estimate the current aircraft load factors (the percentage of occupied seats in relation to total seats available) on scheduled flights. The annual traffic figures have been obtained from the survey. It should be noted that traffic figures for Dawson Creek, Fort Nelson and Sandspit were unavailable. **Table 10** shows the current enplaned and deplaned passenger traffic and the subsequent average load factors based on the total number of available seats outlined in the previous table.

The estimated load factors are below 50% for nearly half of British Columbia's 18 airports. Prince Rupert's high load factor is due to the loss of AirBC jet service from the winter schedule, leaving only Canadian Regional Airline service. Victoria's high load factor is likely due to high occupancy rates on Edmonton, Calgary and transborder flights. Kelowna's load factor is also high for Edmonton and Calgary flights and through flight passengers.

Table 10 – Current E/D Traffic and Load Factor (Pre-Merger) – (1999)

CURRENT E/D TRAFFIC AND LOAD FACTOR (PRE-MERGER)		
Airport	***Current Traffic***	***Estimated Load Factor (%)***
Campbell River	77,589	46.2
Castlegar	70,256	45.5
Comox	55,000	35.8
Cranbrook	70,801	44.6
Fort St. John	94,095	60.3
Kamloops	131,240	49.4
Kelowna	803,955	72.7
Nanaimo	138,545	58.4
Penticton	57,927	57.7
Prince George	316,721	53.0
Prince Rupert	52,700	62.3
Quesnel	14,753	26.7
Smithers	75,551	64.3
Terrace	80,139	46.9
Victoria	1,102,936	78.1
Williams Lake	23,486	41.2
Total	***3,090,134***	***62.9***

7.2 Post-Merger Schedule Scenario

A model for a post-merger schedule has been developed by consolidating flights departing within 30 minutes of each other. This, consequently, reduces the number of available seats. The model also assumes that when two flights are combined, the aircraft with the larger seating capacity would be used for that flight. Current aircraft types and flight routing are assumed to be constant in this post-merger schedule calculation. However, it is recognized that the scheduling planning currently taking place includes altered route patterns as well as the aircraft to be used. Furthermore, it must be noted that this model does not take into account those occasions when flight consolidation is impractical due to high demand.

Table 11shows the number of weekly flights as well as the estimated number of available seats in a post-merger scenario and compares this data to pre-merger flight information.

Table 11– Number of Two Way Available Seats (Post-Merger Scenario)

NUMBER OF TWO WAY AVAILABLE SEATS (POST-MERGER)				
Airport	***Number of Weekly Flights***	**% change**	***Seats Available Annually***	**% change**
Campbell River	59	-18.1	144,600	-13.9
Castlegar	52	0	149,900	2.9
Comox	45	-29.7	119,400	-22.3
Cranbrook	46	-13.2	145,600	-8.4
Dawson Creek	6	0	10,600	0
Fort Nelson	7	0	35,000	0
Fort St. John	27	0	156,000	0
Kamloops	68	-21.8	231,200	-12.9
Kelowna	143	-23.9	942,100	-14.7
Nanaimo	73	-27.7	186,600	-21.3
Penticton	35	-14.6	89,600	-10.8
Prince George	79	-13.2	553,300	-7.4
Prince Rupert	13	0	84,500	0
Quesnel	18	0	55,200	0
Sandspit	7	0	45,500	0
Smithers	30	0	74,900	
Terrace	26	-16.1	152,200	-10.8
Victoria	140	-41.9	865,000	-34.9
Williams Lake	10	0	57,000	0
Total	***886***	***-22.8***	***4,052,900***	***-17.5***

The net result of the merger, given the consolidation model, could result in an overall reduction of 22.8% in weekly flights and a 17.5% reduction in available seats. However, this model does not take into account that some fights, given their already high load factors, may not be combined into one flight. At some of the busier airports, such as Victoria, Kelowna and Prince George, Air Canada's regional carrier may choose to allocate extra seats for traffic and competitive reasons. It should be added that these airports also have sufficient traffic to introduce new point-to-point route services which by-pass Vancouver's hub and spoke system. Already Air Canada has announced direct Victoria and Kelowna service to Toronto. Furthermore, passenger volumes at Kamloops are approaching levels that may attract WestJet's services in the future.

7.3 Post-Merger Load Factors

In order to calculate the load factors in a post-merger scenario, we need the number of available seats and the passenger traffic forecasts for 2000. The former has been calculated in section 7.2 while respondents to the survey supplied the passenger traffic forecasts for 2000.

Some of the resulting load factors are quite high. It is possible that higher load factors in places such as Kelowna, Prince George and Victoria may be a result of available seats not included in the calculation. In the case of Nanaimo and Smithers, the airports' traffic forecasts for 2000 may be too optimistic.

Table 12 – Projected E/D Traffic and Load Factor (Post-Merger Scenario)

PROJECTED E/D TRAFFIC AND LOAD FACTOR (POST-MERGER)		
Airport	***Estimated Annual Traffic***	***Estimated Load Factor (%)***
Campbell River	78,000	53.9
Castlegar	80,000	53.3
Comox	64,000	53.6
Cranbrook	82,000	56.5
Fort St. John	95,000	60.1
Kamloops	135,000	58.4
Kelowna	825,000	87.6
Nanaimo	145,000	77.7
Penticton	60,000	66.9
Prince George	450,000	81.3
Prince Rupert	55,000	65.1
Quesnel	15,000	27.1
Smithers	65,000	86.8
Terrace	90,000	59.1
Victoria	1,100,000	78.1
Williams Lake	26,000	45.6
Total	***3,365,000***	***83.0***

Ideally, load factors of 65-75% provide the air carriers with a viable route service and, at the same time, provide the level of service demanded by the travelling public. A load factor of over 80% indicates that some passengers will not be able to obtain seats during peak times. On those routes with higher predicted load factors, it is reasonable to expect that flight frequency will remain the same as the 1999 schedule or that larger aircraft will be introduced. Prince George, for example, already has F-28 jets scheduled during the peak travel hours and the smaller DHC-8 in the off peak hours.

7.4 Impact Results

A reduction in weekly flights, coupled with a reduction in available seats, will have a financial impact on a number of community airports. Fewer flights will, in turn, reduce the landing fees and terminal fees collected by these airports. However, if traffic forecasts for 2000 are correct, the increase in passenger-related revenue will help offset the losses incurred through reduced flight frequencies.

The airline restructuring is expected to not cause substantial reductions in the airport staffing levels. As noted earlier, a number of airports have already reduced their staffing levels during the transition from former Transport Canada levels. Most airports are currently operating at core staffing levels and any further reduction in personnel will affect airport operations and safety.

7.5 Net Financial Effects

The majority of revenue generated by airports can be divided into two categories: flight-related and passenger-related. The breakdown of each is as follows:

Flight-Related Revenue

- Landing Fees
- Terminal Fees

Passenger-Related Revenue

- Passenger facility charges
- Concessions
- Parking and ground transport

In calculating the net financial effect of schedule consolidation, the revenue lost due to flight reductions must be weighed against with the revenue gained through the increased traffic that is expected by most airports. By combining the flight reductions based on the flight consolidation model (Table 11) and the 2000 traffic forecasts (Table 4), a net financial effect can be calculated. Table 13 shows the net effect on an airport-to-airport basis.

Table 13– Net Financial Effects

Airport	Flight – Related Revenue $	Reduction in Flights %	Lost Flight-Related Revenue	Passenger-Related Revenue $	Predicted change in traffic %	Change in Passenger-related revenue	Net effect in 2000
Castlegar	267 863	0	0	290 900	+14	+ $40 726	+ $40 726
Comox	190 000	-29.7	- $56 430	* 34 000	+16	* + $5 440	* - $50 990
Cranbrook	N/A	-13.2	NA	N/A	+16	NA	NA
Dawson Creek	N/A	0	NA	N/A	+5	NA	NA
Fort St. John	483 000	0	0	** 596 000	+1	** + $5 960	** + $5 960
Kamloops	N/A	-21.8	NA	N/A	+3	NA	NA
Kelowna	3 071 425	-23.9	- $734 070	2 667 297	+3	+ $80 019	- 654 051
Nanaimo	N/A	-27.7	NA	N/A	+5	NA	NA
Prince George	1 890 000	-13.2	- $249 480	910 000	+42	+ $382 200	+ $132 720
Prince Rupert	135 000	0	0	601 200	+4	+ $24 040	+ $24 048
Quesnel	109 600	0	0	157 950	+2	+ $3 159	+ $3 159
Smithers	230 141	0	0	67 700	-14	- $9 478	- $9 478
Terrace	212 000	-16.1	- $34 132	749 610	+12	+ $89 953	+ $55 821
Victoria	3 124 308	-41.9	- $1 309 085	3 558 681	0	0	*** + $790 915
Williams Lake	41 250	0	0	166 513	+11	+ $18 316	+ $18 316

* Comox charges a PFC but the total collected was not supplied in survey. Otherwise the net effect would be different.
** Revenue from PFC's not supplied. Otherwise the net effect would be different.
*** Victoria expects a $2.1 million increase in revenue from PFCs next year.

It is important to note that the net financial effect on community airports is based largely on the accuracy of:

- The traffic for 2000 as provided by the airports.
- The flight consolidation model

For example, the estimated flight reductions in Kelowna, Prince George and Victoria might be high. They are based on a model that combines flights leaving within 30 minutes of each other; however, it is reasonable to expect that two flights will not be combined if their load factors are already sufficiently high. Jets are already being used at Prince George and Terrace during travel peak times of the day using smaller aircraft at other times of the day.

8 Federal Government Legislation

8.1 Background

On August 13, 1999, the Federal Government used its authority under the Canada Transportation Act and initiated a special 90-day process to facilitate restructuring of the Canadian airline industry. This led to a change in government policy resulting in recent new government legislation.

The government's original concern was a potential disruption in the country's air transportation system resulting from Canadian Airlines' weak financial position. To avert this problem, the government encouraged proposals for a major restructuring of the airline industry, free from normal oversight from the Competition Bureau. However, when it became clear that these proposals could lead to the creation of one large air carrier through merger, acquisition or other means, the government reacted by changing its policy framework to ensure that the public interest was considered in any major restructuring which could lead to a monopoly situation.

8.2 Competition Bureau

On August 30, 1999, the Minister of Transport asked the Competition Bureau for its views on the competition issues related to a potential restructuring. On October 22, 1999, the Competition Bureau responded with its views and comments. The response addressed the competition concerns and identified the market areas that would be most affected by reduced competition. The Competition Bureau also examined possible ways of creating favourable conditions for existing competitors to expand and for new entrants to introduce air services. The Bureau's recommendations included reducing entry barriers, facilitating new entry and expansion by remaining competitors, and restricting the ability of the dominant carrier to engage in anti-competitive acts. The Competition Bureau's recommendations were divided into four themes:

1. Possible terms of restructuring
2. Possible changes in government policy
3. Possible regulatory changes
4. Possible legislative changes

8.3 Policy Framework

On October 26, 1999, The Minister of Transport issued "A Policy Framework for Airline Restructuring in Canada" and announced pending legislation aimed to protect the public interest. The policy framework addressed a number of objectives for the government to achieve through legislation, a restructuring of requirements, and through commitments from a dominant carrier (Air Canada). Some of these policy objectives included:

1) Competition
   - Foster competition by reducing barriers to new entries and by encouraging existing operations to expand into new markets.
   - Develop effective measures for dealing with predatory behaviour in the airline industry.
   - Ensure that access to airport facilities is allocated to permit competitive domestic services.

2) Pricing
   - Maintain reasonable airfares through competition rather than government intervention.

- Broaden the Canada Transportation Act to address dominance as well as monopoly and to include prices in addition to basic fares.
- Demand commitments from the dominant carrier concerning pricing during the restructuring process.

3) Service to Small Communities
   - Ensure continued services to smaller communities by reducing entry barriers for new entrants and by protecting them from possible predatory behaviour by the dominant carrier.
   - Review the Canada Transportation Act to determine if provisions are sufficient with regard to notice of intent concerning termination of service.
   - Request feedback from small communities regarding the service from the dominant carrier during the restructuring process

4) Rights and Concerns of Employees
   - Insist that employees are treated fairly during any major restructuring.

8.4 Parliamentary Committees

The House of Common's Standing Committee Transportation (SCOT) and the Senate Committee on Transportation and Communications submitted their respective reports in December 1999. These reports addressed the following issues as requested by the Minister of Transport.

- whether the 10% limit on individual share holdings in Air Canada should be raised
- ways to implement competition measures
- how section 66 of the Canada Transportation Act could be amended to address price gouging
- how sections 64 and 65 of the Canada Transportation Act could be amended to address service to small communities
- how to ensure the fair treatment of employees
- how the industry could be effectively monitored

The recommendations made by both parliamentary committees regarding service to small communities is relevant when discussing possible impacts on British Columbia's community airports.

> "that sections 64 and 65 of the Canada Transportation Act be strengthened to guarantee that existing service from a dominant carrier to all communities now served by Air Canada and Canadian Airlines be continued. In the light of restructuring, the government review its pricing and rental policies at small airports bearing in mind their role as essential parts of the natural transportation infrastructure."

SCOT also made a number of recommendations related to service to small communities. These include:

- The government should require that a dominant carrier and any wholly-owned affiliates continue service to small and remote communities for a three-year period notwithstanding sections 64 and 65 of the Canada Transportation Act. This condition should apply for a three-year period unless a new or existing carrier provides service of a similar quality and price.
- In a dominant carrier scenario, if an independent carrier ceases to provide scheduled air services, the government should request that the dominant carrier operate these routes for a one-year period.
- The Canada Transportation Act should be amended to require all air carriers to give 48 hours notice to the Canadian Transportation Agency prior to initiating a service disruption. The Agency should then inform the public and affected airports.

- The government should review funding and eligibility for its Airports Capital Assistance Program with specific regards to financially vulnerable airports and assess whether the Program could be expanded to include airport operational costs in order to preserve essential air services to these airports. Furthermore, the government should examine the impact of the devolution of airports and means by which emergency response services should be financed.
- The government should require that the dominant carrier abide by conditions designed to lower and/or eliminate entry barriers for new and existing carriers while also abiding by conditions to protect consumers, airline employees and residents of small and remote communities. The government should be assured of the dominant carrier's agreement to abide by these, and all other conditions prior to granting approval. Furthermore, compliance must be monitored on an ongoing basis.

8.5 Legislation

On February 17, 2000 the Minister of Transport tabled legislation to deal with airline restructuring. A summary of the legislation provides the following consumer protection measures:

- increased powers of the Canadian Transportation Agency (CTA) to prevent price gouging
- restored powers for the CTA in dealing with conditions of carriage for domestic service
- improved notice of exit provisions to minimize or prevent service disruptions and ensure dialogue between airlines and communities
- a requirement that services provided to customers by Air Canada and its air service affiliates comply with the Official Languages Act where there is significant demand
- the appointment of an independent observer who will monitor and assess the impact of airline restructuring over the next 18-24 months and report to Parliament through the Minister of Transport
- the government intends to accelerate present work concerning regulation and legislative responses to the problems of air rage

The newly introduced measures to foster competition include:

- new powers for the Competition Bureau to regulate anti-competitive behavior in the airline industry
- new powers for the Competition Bureau to issue temporary orders to stop predatory behavior
- a prohibition of exclusive-use clauses in confidential contracts for domestic service in order to encourage competition for corporate travel
- more freedom for travel agents to negotiate more effectively with a dominant carrier on domestic commissions.

The legislation addresses service to small communities by:

- restoring the notice period to 120 days and require that a carrier give notice when more than 50% of weekly passenger seats are being withdrawn from a route, regardless of how many other carriers would remain on that route.
- requiring any carrier giving such notice to provide an opportunity for elected officials of the community to meet with it to discuss the impact of the proposed reduction or cancellation of service.
- incorporating into legislation the commitment on service made by Air Canada to the government on December 21, 1999 in order to make it legally binding and enforceable. Air Canada committed to continue domestic service to communities being served by Air Canada, Canadian Airlines and their wholly-owned subsidiaries for a three-year period.

9 Other Related Issues

There are a number of other related issues that could impact the financial viability of British Columbia's airports. While not directly related to airline restructuring, they would, nevertheless, impact community airports. These related issues include:

9.1 Possible Changes to the Airports Capital Assistance Program (ACAP)

The survey revealed that many community airports are barely breaking even in terms of operations. Moreover, most indicated that there were few resources left for major maintenance and capital improvements.

The House Standing Committee on Transportation recommended that, "the government review funding and eligibility for ACAP assistance for financially vulnerable airports and assess whether the Program could be expanded to include airport operational costs to support essential air services to these airports."

In his presentation to SCOT, the Executive Director of the Canada Airports Council called for changes in ACAP funding, "As many of 15 airports are fragile financially and could be bankrupt if Air Canada reduces services and it takes over Canadian. The Council wants Ottawa to spend at least $105 million a year in a capital fund for airports, cap the rent the federal government collects from large airports, and consider a subsidy to airlines to maintain frequency to smaller communities."

The Ministry of Transport's response was, "The goal of ACAP is to contribute to the safety of Canada's airport system by assisting airports that cannot reasonably finance major capital expenditures. The government is not convinced that the program fundamentals should change at this time."

Given this lack of increased financial support from the Federal Government, airports may be forced to find alternative ways of funding capital improvements.

9.2 Proposed Airport Firefighting Regulations

Transport Canada has proposed new regulations requiring small airports to provide emergency protection. At present, only the 28 NAS airports nationally are required to have airport firefighting provisions. Previously, Transport Canada wanted to demand firefighting protection at 294 airports; however, an outcry from airport operators cut this down to 123 and this has been further reduced to 100. Most of the airports will be able to rely on off-airport fire services but there will be at least 30 that may be required to provide their own on airport firefighting equipment and personnel. Community airports were assured during the airport transfer process from Transport Canada that airport firefighting services would not be required.

It is estimated that the first-year cost associated with providing airport firefighting provisions is over $500,000 and is reduced to $200,000 in subsequent years.

The airports that have scheduled aircraft with more than 50 seats would be required to have firefighting provisions. In British Columbia, the airports (in addition to the three NAS airports) that could be affected are:

Fort St. John
Prince Rupert
Terrace

Sandspit
Smithers

Transport Canada had originally planned to have CARS 308 into regulation early in 2000. The timetable has now slipped and implementation is predicated for the Fall. A phase-in period is planned before all requirements must be met. If the affected airports are forced to endure the full cost of providing firefighting provisions, the funds necessary are not in the individual airport's budgets. Transport Canada is reportedly looking at ways of helping smaller airports meet the costs.

SCOT raised this issue but the Minister of Transport's response was to indicate that the government expects that measures addressing the matter will be developed in the near future.

9.3 NAV Canada Fees and Charges

Nav Canada began to charge fees to aircraft operators in 1999 for services previously provided by Transport Canada. To cover these charges, an air transport ticket tax was paid by passengers using scheduled flights . The tax was rescinded and now fees and charges are invoiced to all aircraft using navigation, communication and other Nav Canada services. While British Columbia airports approve the concept of user fees, there are concerns about the manner in which the fees and charges are assessed by Nav Canada. The concern is that the fees and charges will affect aircraft movements and, in turn, reduce the revenue collected from landing fees.

9.4 Airport Personnel

Some local airports are having difficulties attracting and maintaining trained staff to operate and manage their facilities. The former Transport Canada airport operations had a program in place to train and promote airport personnel. Today, it is more difficult to obtain trained people and provide them with career opportunities. Adequate funds are needed to recruit and train needed airport staff.

10 Alternate Sources of Airport Revenue

It is apparent that British Columbia's airports require additional funding. Even before airline restructuring, many airports were financially vulnerable. Most have balanced operating budgets at best and few have the funds needed for capital investment programs. A merged flight schedule will reduce airport revenues and some facilities will not be able to meet their operating needs.

10.1 Airports Capital Assistance Program (ACAP)

The ACAP program has provided funds for capital projects. This Transport Canada program for eligible airports will provide up to 95% funding for capital projects directly related to airport safety. It will consider other airport operations related capital projects that will enhance airport efficiency on a 50-50 cost-share funding basis.

Some 7 airports in the survey responded that they had received ACAP funds totalling nearly $2.9 million. These airports noted the importance of ACAP funds.

The House Standing Committee on Transport and the Canadian Airport Council both made the recommendation that ACAP funding levels be changed. SCOT called for inclusion of operating costs as well as capital costs while the Canadian Airport Council called for a minimum of $105 million in ACAP funding each year for Canadian airports.

Due to the reliance of ACAP funding by airports, Transport Canada needs to reconsider its stance on ACAP criteria if these airports are to continue to meet federal requirements.

10.2 Air Transport Assistance Program (ATAP)

The provincial government has an airport assistance program for very small community airports. This program has assisted numerous small communities but has not been used by those airports receiving scheduled air service. Only Castlegar reported in the survey to receiving ATAP funds. ATAP budget is between $1 and 2 million annually.

Despite its reduction in funding, ATAP remains as one of the few avenues for funding available to small community airports.

10.3 Passenger Facility Charge (PFC)

One of the most significant sources of new airport revenues is a passenger facility charge (PFC). The charge is applied to each boarding passenger and is either collected by the airport itself or is collected by the airlines for about a 2% commission. The PFC is now commonly used in the United States for capital projects and to pay off airport bonds and other debt. Some Canadian airports now have a PFC. Vancouver was one of the first Canadian airports to institute such a fee.

Some 10 of the British Columbia airports now have PFCs that range from $5 per passenger up to $13 for enplaned passengers. These airports use this additional revenue for capital projects.

A PFC is an important and growing revenue source for airports with scheduled traffic. It should be noted, however, that any additional costs to travel will affect the demand to travel. The PFC is yet another cost to the travelling public in addition to the ticket price, Nav Canada charges and government taxes. The commutative charges can be considerable on short-sector routes.

Table 14 shows the airports that have received ACAP or ATAP funding. The table also shows which airports have a PFC and the amount charged.

Table 14– ACAP & ATAP Funding

		ACAP			*ATAP*		*PFC*	
		Any funding?	**Year**	**Amt.**	**Any funding?**	**Amt.**	**Do you have PFC?**	**Amt.**
YLW	Kelowna					-	y	$ 5.00
YXC	Cranbrook	y	1999	$ 57,000	n	-	y	$6.50 in and out or 13 per enplaned
YQQ	Comox	n	-	-	n	-	y	$3 in/out
YXT	Terrace	n	-	-	n	-	y	$ 8.00
YKA	Kamloops	n	-	-	n	-	y	$12.00
YCG	Castlegar	y	1999?	$ 160,000	y	$ 20,000	y	$5.00
YCD	Nanaimo	y	1998	$ 1,436,000	n	-	y	$ 4.00
YXJ	Fort St. John	y	1997	$ 1,200,000	n	-	y	$ 8.00
YQZ	Quesnel	y	1998/99	$ 1,600	n	-	n	-
YWL	Williams Lake	n	-	-	n	-	y	$ 5.75
YXS	Prince George	n	-	-	n	-	n	-
YPR	Prince Rupert	y	-	-	n	-	n	-
YYJ	Victoria	n	-	-	n	-	y	$ 5.00
YDQ	Dawson Creek	y	1,998	$ 150,000	n	-	n	-
YYD	Smithers	n	-	-	n	-	n	-

Source: Survey

11 Conclusions and Recommendations

This final section provides some of the key findings of the study as well as next steps for the Provincial Government to consider.

11.1 Airline Schedule Changes and Resulting Traffic Analysis

- Details of the summer schedule have not been all released although Air Canada and Canadian Airlines will merge services of Air BC, Canadian Regional and Central Mountain Air.
- Aircraft will be interchanged as needed (e.g., Air BC aircraft may fly a Canadian Regional scheduled route).
- Nine DHC-8s will be transferred out of Western Canada to Ontario, Quebec and Atlantic Canada.
- Jet service could be reintroduced into some northern airports where flight durations exceed one hour (e.g., Vancouver to Terrace).
- To compete with WestJet, jet service will be reintroduced or increased into Victoria, Kelowna and Prince George as well as a possible Abbotsford-Calgary route.
- DHC-8s will replace Beech 1900Ds on many interior routes, reducing flight frequencies. Some of these Beech 1900Ds will be used on Alberta routes.
- DHC-8s will be used on coastal routes and Pacific Coastal will lose its subcontracted routes but will operate on their own
- A new PC-12 air carrier will serve Prince George from Alberta and Montair currently operates a PC-12 to southern interior routes from Vancouver/Boundary Bay. Such single-engine IFR aircraft may have a large role in serving smaller communities.
- Overall, no air service to any B.C. community will be terminated for at least three years, but route rationalization will reduce flight frequencies and possibly affect the types of aircraft used. Larger aircraft will be used where combined traffic justifies their use.

11.2 Airport Analysis

Employment Impact

- Many airports have already made significant staff cuts during transfer from Transport Canada and are now operating at core staff levels
- Employment levels to increase marginally or remain largely unchanged
- Kelowna and Prince George expect staff increases due to WestJet activities
- Prince Rupert and Terrace predict a decline in employment

Financial Impact

- Most airports expect a balanced operating budget but are unable to cover capital costs without ACAP
- Those airports with WestJet service expect the best financial performance. Most of the others predict only modest financial growth this coming year. Terrace, however, expects lower financial performance in 2000

- In some cases, the revenue generated from predicted traffic increases will offset the losses due to a reduction of flights.
- Net financial effects are expected to be minimal as increased passenger volume related revenues may compensate for lower flight frequency related revenues

Airport Managers Comments Concerning Airline Restructuring

- Managers at airports without WestJet service generally regard airline consolidation with pessimism
- Many feel they are already in a poor competitive position and airline consolidation will exacerbate problems due to lower levels of service, lower air travel demand and anticipated higher air fares
- Castlegar, Nanaimo and Dawson Creek expect little impact from airline consolidation as they feel they are currently at minimum levels of service

11.3 Traffic Analysis

- The total number of available seats is expected to decrease by about 17.5%
- Overall, it is expected that the number of weekly flights in British Columbia will be reduced by about 22.8%
- Although most airport managers view airline consolidation negatively, many are forecasting traffic increases in 2000. Smithers is an exception and predicts lower traffic.
- Prince George is predicting the largest increase due to new WestJet service
- Even with flight consolidation, a number of flights will still have low load factors

11.4 Firefighting Issue

- Most airports indicated that CARS 308 will not be an issue if regulations only apply to airports with scheduled service using aircraft with more than 50 seats
- NAS airports, Victoria, Kelowna, and Prince George, already have firefighting equipment and trained airport staff
- If firefighting regulations are applied, most of the affected airports will be unable to bear the costs of providing equipment and trained staff

11.5 Airports Capital Assistance Program (ACAP)

- A number of airports have had ACAP grants for capital programs while only one has had provincial ATAP funding
- ACAP funding has been important for capital projects since most airports do not have surpluses for capital projects or repairs
- Consideration should be given to expanding ACAP to include broader categories of eligible projects and operating funds

11.6 Passenger Facility Charge (PFC)

- PFC is now common in Canada and US to provide additional revenue for capital projects
- 10 B.C. airports in the survey now have a PFC

11.7 Overall Conclusions

- Airline restructuring could see negative effects on some community airports but, overall, they shouldn't be that large.
- Many of British Columbia's community airports require capital investment funding.
- While Air Canada has committed to continue air service to communities, after three years it is free to seek termination of services by giving appropriate notice to the Federal Government.

11.8 Recommendations

- Provincial Government should release study results to airport operators and elected community officials.
- Provincial Government should liaise with Air Canada and its newly established regional airline to minimize the impact of schedule merger on community airports.
- Provincial Government should monitor the restructuring of the airline industry and consider the effects of any future termination of air services at low-volume community airports.

Airline Restructuring Impact on B.C. Airports

Appendices

Appendix I: Airline Restructuring in Canada

❑ Airline Restructuring in Canada

This section provides a brief summary of the airline restructuring process that is taking place in Canada. It describes, in chronological order, the events over the last six months that have led to the current situation whereby Air Canada has purchased Canadian Airlines and is now merging the two airline schedules as part of an airline industry restructuring. The section concludes with a discussion regarding recent changes to air services in British Columbia and how they will likely impact community airports.

- The Overcapacity Problem

The basic problem with the Canadian airline industry is that it has been offering more seats than the traffic demands. For many years, Canada has had two major airlines, Air Canada and Canadian Airlines, both competing on domestic and international routes. Since the deregulation of the Canadian airline over a decade ago, both airlines have been free to offer domestic service with routes and fares that were dictated by the market. The federal government even allowed the two airlines to compete on some international routes. Because of this, Air Canada, Canadian Airlines and their regional carriers have been strong competitors in nearly all the markets they have served.

Deregulation spurred both airlines to expand their operations; however, each took a different path. Air Canada's route development was largely through internal growth, using the financial resources it inherited as a result of the airline's privatization in 1988. Canadian Airlines, on the other hand, grew its route structure through a series of mergers and acquisitions starting in the early 1980s when its predecessor, Canadian Pacific Airlines (CP Air) purchased in quick order, Eastern Provincial Airways, Nordair and part of Quebecair. Pacific Western Airlines (PWA) then acquired CP Air in 1986; PWA had earlier bought Transair and Canadian Pacific Airline's northern routes. Pacific Western then renamed the consolidated airline Canadian Airlines International in 1988. Pacific Western Airlines had been a profitable Calgary-based regional airline until it took over the larger Canadian Pacific Airlines for $300 million as well as its $600 million debt. It went on to purchase Wardair in 1989, a large but struggling charter airline, incurring another $300 million debt in the process. The debt load was too high and for the next 10 years except for one year, Canadian Airlines reported mounting losses. Even Air Canada with it stronger balance sheet reported occasional losses throughout the same decade. Share prices for both airlines lingered.

The worldwide recession of 1991 and rising fuel prices hit Canadian Airlines while they were trying to handle the additional debt of the Wardair takeover. Air Canada proposed a merger in 1992 but later backed off, leaving Canadian Airlines to restructure on its own. Canadian Airlines started negotiating with the large United States airline, American Airlines in 1993 and reached an agreement in April the following year. This was significant coup for Canadian Airlines. American Airlines took a 25% voting interest and a 34% economic interest ($246 million) in Canadian Airlines. The agreement also included a comprehensive services program including computer reservations on American Airline's (AMR) Sabre system and a joint code-share alliance between the two airlines. The Alberta, British Columbia and federal governments made loan guarantees totalling $120 million to assist Canadian Airlines in meeting its financial obligations at the time. There were also significant union concessions in exchange for a one-third equity interest in the airline.

The basic problem for both airlines was overcapacity. Too many seats were made available to the market. Those seats that were sold were often sold at deep discounts, which affected yields. Both airlines attempted to obtain a larger market share of the available traffic, particularly in the domestic market where they competed directly. However, air traffic in Canada was experiencing slow or stagnant growth and did not justify the number of seats being offered. Over the years, the two airlines acquired about 80% of the total Canadian traffic with each claiming half of the total. It was an even race but,

despite the large market share each held in the domestic market, neither was profitable. The airlines turned to their international routes for growth and profits:

- Air Canada focussed on its European network and started its first Asian routes. It also built up a strong transborder network to the United States, using its newly acquired Bombardier regional jets. In 1995, the United States-Canada "open skies" bilateral was signed, allowing both airlines to compete alongside American air carriers. Air Canada took advantage of niche market opportunities and grew until about 60% of its revenues came from international routes.

- Canadian Airlines also strengthened its services to Asia, which had been exhibiting strong growth based on a buoyant Asian economy. Canadian Airlines also strengthened its United States network primarily by code-sharing with its partner American Airlines but was not as aggressively as Air Canada was doing. Canadian Airlines also retained its older Boeing 737s in this competitive market.

Both airlines joined global alliances to code-share services and to expand their marketing presence. Air Canada was a founding member of the Star Alliance along with Lufthansa, United and other major airlines in 1987. Canadian Airlines with the backing of its equity partner, American Airlines joined the **oneworld** group along with British Airways, American and other world airlines the following year. These alliances are designed to provide traffic feed to and from connecting world hub airports. Air Canada used Toronto as its Canadian hub and Canadian Airlines used Vancouver and its Asian connections.

In 1996, Canadian Airlines saw its marketing strategy in trouble and entered into a restructuring plan. With union co-operation and assistance from its new equity partner, American Airlines, the restructuring plan seemed to be working. Costs were trimmed by $800 million by cutting domestic capacity, revamping route patterns and improving employee productivity. However, these gains were lost by 1998, and Canadian Airlines was faced with financial problems once again. The Asian economic recession had begun and the Asian routes did not perform well enough to provide needed revenue, particularly from code-sharing routes with American Airlines connecting United States traffic to Asia via Vancouver. United States routes were also a disappointment with strong competition from Alaska Airlines. Under a code-sharing agreement, Canadian ceded important California routes to Alaska Airlines. On the domestic routes, Canadian Airlines lost its traditional stronghold in Western Canada with the introduction of WestJet Airlines and it's low-cost jet service. As Canadian Airlines entered 1999, it faced an uncertain future and financial gloom with its domestic market share beginning to slip against competition from WestJet and Air Canada. Despite its financial problems, Canadian tried to remain competitive and match Air Canada's seat capacity and fares in each domestic market. It was a losing battle and Canadian Airlines signalled that it was once again in trouble, and the scene was set for certain airline restructuring in Canada.

- Merger Proposals

In late 1998, Canadian Airlines indicated that it was seeking a further $300-500 million in equity to keep the airline going. American Airlines, as a foreign airline, was restricted to 25% ownership and could not contribute additional funds. Canadian Airlines and Air Canada met in early 1999 to discuss some kind of agreement between the two airlines. Canadian Airlines wanted to obtain a code-share agreement for domestic route sharing while Air Canada wanted to buy Canadian Airlines' international route network. There was no agreement reached on a possible solution. The meeting did, however, illuminate the severity of Canadian Airlines' financial troubles.

Over the next few months, Canadian Airlines publicly declared its financial problems. On August 13, 1999, the Federal Government, in response to Canadian Airlines' distress call, announced that it would relax competition rules for 90 days as allowed under Section 47 of the Canadian Transportation Act, to allow the airlines to discuss restructuring. On the same day, Air Canada stated that it had some $712

million in cash set aside and would look at any routes or assets that Canadian Airlines may want to sell. Air Canada noted that it was particularly interested in Canadian Airlines' international routes and any long-range aircraft that may be for sale; however, Canadian Airlines turned down Air Canada's offer to buy any assets.

A few days later, on August 24th, Onex Corporation, a Toronto based conglomerate, announced that it would buy both Canadian Airlines and Air Canada and merge them into one airline. Under the Onex plan, the new airline would be called Air Canada and be headquartered in Montreal with a subsidiary office in Calgary. The new airline would be partly owned by American Airlines but in a minority position. At that time, the takeover bid for both airlines totalled $1.8 billion and Onex would also assume the $3.9 billion in debt that both airlines held. It was estimated that the merger would result in the loss of some 5,000 jobs as well as other redundant assets.

The Onex announcement provided immediate reaction from a number of quarters:

- The Federal Government, along with American and Canadian Airlines, supported the initiative.
- Consumer groups, Air Canada shareholders, and Air Canada's Board opposed the proposal for various reasons.
- Airline employees and their union representatives were concerned as to possible layoffs.

Throughout the next few weeks, Onex lobbied the government, the airline unions, and Air Canada for support. Air Canada, however, was strongly opposed and started legal action. It began preparing a counterassault to the Onex proposal and created a media war by attempting to postpone the shareholders' meeting to vote on the proposal. Air Canada also brought in its Star Alliance partners, Lufthansa and United who provided Air Canada with some $750 million to assist it in its campaign against Onex.

On October 8th, Air Canada's board rejected the Onex bid as being "illegal," claiming that it contravened the Air Canada Public Participation Act concerning ownership. It then countered the Onex bid by offering to buy Canadian Airlines for $92 million as well as assuming the airline's debt. Onex continued its lobbying and raised its bid in order to appeal to Air Canada's shareholders. It also reduced the role of American Airlines in a merged airline.

On November 5th, Judge Andre Wery of the Quebec Superior Court ruled that Onex's bid was indeed illegal since the federal law that privatized the airline limited any single shareholder to 10% of the voting shares. Onex would have acquired 31% of those shares although it had intended to convert its stock into non-voting shares until the Air Canada Act could be amended or eliminated with regard to the ownership limit. Onex withdrew its offer to purchase both airlines the same day as the ruling. The withdrawal of the Onex proposal left only the Air Canada proposal on the table.

Air Canada issued its formal offer to purchase Canadian Airlines on November 15th. The offer was for $2 per share or $92 million and had an expiry date of December 7th. Canadian Airlines and its shareholders accepted the offer; the details of which are:

- ❑ Canadian Airlines to operate as a subsidiary after debt consolidation and as a separate entity for some time.
- ❑ Canadian Airlines to retain its head office in Calgary and be led by a team of Air Canada and Canadian Airlines management.
- ❑ No employees from either airline or their regional subsidiaries to be laid off, but some 2,500 to be cut through attrition, early retirement and voluntary buyouts.
- ❑ All union contracts with Canadian Airlines and its regional airline to be honoured, but to be renegotiated to align work rules and equalize wage levels.

- ❑ Canadian Airlines to begin a restructuring and operational overhaul and seek the elimination of ownership and control by American Airlines.
- ❑ The schedules of Air Canada, Canadian Airlines and regional subsidiaries to be redesigned to meet demand while also addressing profitability objectives and protecting worker's rights. All communities currently served will continue to get air service.
- ❑ Frequent flyer points from both airlines to be honoured and both airlines will code-share on each other's domestic flights.
- ❑ A new low-cost carrier based in Hamilton and flying to about 20 destinations, to start in the Spring of 2000 using surplus aircraft from the two airlines. (Delayed until 2001 by Federal Government)

With Air Canada's formal offer issued, attention shifted back to Canadian Airlines and its **oneworld** alliance partners for a response. Canadian Airlines stalled for more time to consider the offer. It examined its own restructuring and sought financial and other support from its **oneworld** partners. Meanwhile, pressures were already being felt in the market due to declining demand. Consumers were cautious of committing to travelling with Canadian Airlines because of its financial uncertainty. InterCanadian Airlines, an associated air carrier of Canadian Airlines, shut down its Quebec and Eastern Canadian operations citing a lack of traffic. A meeting was held in New York with the **oneworld** partners but the members offered little support to keep Canadian Airlines going. On December 6th, Canadian Airline's board accepted Air Canada's offer and advised its shareholders to accept as well. American Airlines also indicated that it would work with Air Canada to reach an agreement with regard to relinquishing its ownership and rights in Canadian Airlines. On December 8th, Air Canada announced it had won control of Canadian Airlines. Over half of the shares had been tendered, including American Airline's 25 % stake and other interests. At the close of the bid period on December 23rd, some 82% of the voting shares had been tendered. Air Canada officially took over Canadian Airlines on January 4, 2000.

- Current Airline Restructuring Developments

Air Canada now effectively controls over 80% of the Canadian domestic business as well as a network of routes to the United States and a strong international presence, particularly in Europe and Asia. It is now the 10th largest airline in the world with some 37,000 employees and 238 jetliners. It is a founding member of the Star Alliance and ranks as a global airline.

Air Canada plans to keep Canadian Airlines as a wholly-owned subsidiary but this status is expected to eventually give way to full integration. Air Canada has received tentative approval from the Federal Government, including the Competition Bureau, for its takeover of Canadian Airlines. Federal legislation has recently been announced that is designed to protect consumers from problems that may arise due to Air Canada's near monopoly. This legislation is described later.

Since taking control of Canadian Airlines, Air Canada has formed a new Canadian Airlines board and has achieved some success in dealing with Canadian Airline's creditors as to restructuring its debt load. It has also begun rationalizing flight schedules between the two airlines and their regional subsidiaries.

The new Canadian Airlines board was established on January 5th, retaining only Kevin Benson, Canadian Airline's President and Chief executive Officer. On January 19th, Air Canada posted its Senior Vice-President of Business development, Paul Brotto, to become Chief Operating Officer in Canadian Airlines, the second highest-ranking executive in the airline. It will be his job to reorganize and overhaul the airline. On February 29th, Kevin Benson resigned after the news that Canadian Airlines sustained a $223.3 million loss for 1999. Paul Brotto was appointed President on March 1, 2000.

Canadian Airlines continues to deal with its creditors to restructure its debt. It has about 50 major creditors holding some $3.5 billion in debt and lease obligations. About $ 1.0 billion of this is debt and $2.2 billion is in capital and operating leases primarily for aircraft. Canadian Airlines has reached an agreement with GE Capital Services, one of its largest creditors, on leases covering 18 aircraft. Canadian Airlines is taking advantage of Air Canada's relationships with some of the same creditors to renegotiate better terms and conditions. Canadian Airlines has also put up for sale its 8 older DC-10-30s and will use newer Boeing 767s in their place. Other aircraft may also be offered for sale.

On February 9th, Air Canada and Canadian Airlines released highlights of an integrated summer flight schedule. This new schedule will see cuts in service on Canadian domestic routes while emphasizing flights to the United States and international routes where traffic demand is evident and fare yields are higher. Overall, the total system capacity will increase by 2% but domestic routes will have available seat-miles trimmed by 15%. The combined schedule includes 30 new routes, 11 additional destinations and 380 more transborder flights a week. Despite the reduction in domestic capacity, all the Canadian communities previously served by Air Canada, Canadian Airlines or their regional subsidiaries will continue to be served.

Details regarding changes to the combined summer schedule for Western Canada have not been released. It is known that Vancouver will continue to be a hub airport for increased Asian services to Taipei, Hong Kong, Beijing, Tokyo and Seoul that will see an additional 13% growth in available seat-miles. A new route to Shanghai is planned for later in the year. There will be hourly flights scheduled to Toronto and new non-stop services to Halifax, Washington, D.C., Denver, Spokane and to Mexico City from Vancouver. There will also be increased transborder frequencies. Victoria will get direct, year-round service to Toronto, bypassing Vancouver.

On January 20th, Air Canada announced that it was merging Air Nova, Air Ontario and AirBC into one entity. This merger will affect air service in British Columbia as routes are rationalized. The merged regional air carrier will have nearly 3,000 employees and serve 84 destinations. It will operate a fleet of 82 aircraft and have annual revenues in excess of $880 million.

The new regional airline plans to take over Canadian Regional Airlines if it is not sold as part of Air Canada's restructuring agreement with the Federal Government. Adding Canadian Regional Airlines will bring another 54 aircraft and 2,000 more employees, making it one of the world's largest regional airlines. The corporate headquarters for the merged regional airline will be in Toronto but its operations and repair and maintenance facilities will be spread across the country. Joe Randell, the former President of Air Nova in Halifax, will head it.

It is known that the new merged Air Canada regional airline and Canadian Regional Airlines will alter service in British Columbia as well as Quebec, Ontario and Atlantic Canada:

- Nine DHC-8 turboprop aircraft will be transferred from Western Canada. These aircraft will be used to replace former InterCanadian route services after its bankruptcy as well as supplement the growing transborder routes.
- Three former InterCanadian F-28 jet aircraft, which had been leased from Canadian Regional Airlines, may return to Western Canada.
- Jet service will be reintroduced into some northern British Columbia communities, particularly on flights over one hour in duration such as Vancouver to Terrace and Smithers.
- DHC-8s will likely be used to replace some of Central Mountain Air' smaller Beech 1900Ds on some interior routes but at reduced frequencies.
- The Beech 1900Ds will be redeployed to Alberta and other routes. The DHC-8 will replace Pacific Coastal Airlines services to Nanaimo and Campbell River.

It can be expected that the merged airline will use jet aircraft to compete with WestJet Airlines on certain high-volume routes in Western Canada. This would include jet service from Vancouver into Victoria, Kelowna and Prince George. A new route, in and out of Abbotsford, may also be introduced

due to the success of WestJet Airlines' services into Abbotsford. WestJet Airlines currently operates a fleet of 15 older Boeing 737-200s but has recently announced that it is expanding into Eastern Canada and adding new aircraft. On February 25th, WestJet announced that it would order 20 Boeing 737-700s from Boeing and lease 10 Boeing 737s from GE Capital Aviation Services. This is the first step in an 8-year plan to add up to 70 next-generation jetliners to their fleet. The first new aircraft will be in service by June 2001. It is doubtful that WestJet will consider additional destinations in British Columbia since the Boeing 737 requires about 100,000 passengers a year to justify its large seating capacity.

- Airline Competition Legislation

A major concern of the Federal Government, as well as consumer groups, is that Air Canada now has a near monopoly on Canadian domestic routes. WestJet Airlines and Canada's charter airlines (Canada 3000, Royal Airlines, SkyServices and Air Transat) do not have the available capacity to compete effectively with Air Canada. Despite Air Canada's agreement to a number of concessions in order to obtain Federal Government approval for the takeover of Canadian Airlines (such as selling Canadian Regional Airlines, opening slots and gate positions at Toronto airport, and delaying its plans to start a low–cost airline at Hamilton for a year) there is fear that Air Canada could use its monopoly powers to restrict competition and raise fares.

On February 17th, the Federal Government unveiled legislation to monitor and police airline competition and pricing. The legislation is aimed directly at Air Canada to punish, should it start to exercise its monopoly. The new legislation has harsh penalties with a maximum penalty of 5 years of imprisonment or a $10 million fine or both. Further details of the legislation and other Federal Government plans to monitor and control the airline industry are discussed later in the report.

Appendix II: A chronological index of airline restructuring events.

March 2000

Mar. 1: Paul Brotto appointed President

February 2000

Feb. 29: Kevin Benson resigned after Canadian Airlines showed $223.3 million loss in 1999
Feb. 17: Ottawa unveils measures to rein in Air Canada
Feb. 16: Ottawa lets two small airlines fly European routes
Feb. 14: Collenette to outline airline legislation to cabinet today
Feb. 11: Canjet principal wants to try start up at Toronto airport
Feb. 10: Canadian deal with GE Capital
Feb. 9: Air Canada and Canadian combine schedules
Feb. 9: is this Canadian's new image?
Feb. 4: Air Canada's boss optimistic over restructuring
Feb. 2: Air Canada profit flew up to $213 million in 1999
Feb. 2: Canadian Airlines restructures debt, suspends payment
Feb. 2: Air Canada to protect Canadian Air clients, staff

January 2000

Jan. 26: Air Canada plans 'dramatic redesign' of international routes
Jan. 26: Air Canada sees cost gains from route redesign
Jan. 20: Air Canada moves to consolidate regional airlines
Jan. 19: Air Canada assigns new co-pilot at Canadian Airlines
Jan. 19: Canadian Regional trimming Atlantic schedule
Jan. 19: Air Canada puts operations chief into Canadian
Jan. 17: Another new look for Canadian Airlines planes
Jan. 14: Air Canada's traffic up 4.4 per cent in 1999
Jan. 14: Air Canada rationalisation flight schedules
Jan. 11: QFL gives up on trying to save InterCanadian
Jan. 7: Post-merger seat sale fare game
Jan. 5: InterCanadian faces decision Monday
Jan. 5: Canadian's board resigns, but Benson stays on
Jan. 5: Benson had to battle a headwind from the takeoff
Jan. 4: Air Canada formally takes over Canadian Airlines
Jan. 3: Canadians perplexed by battle over airlines merger

December 1999

Dec. 31: Caisse sets time limit on Air Canada restructuring plan
Dec. 30: Air Canada rules out union seats on board
Dec. 29: Unions 'forced' to resign from Canadian board
Dec. 23: Air Canada wins control of Canadian
Dec. 22: Blunt-talking Robert Milton wins control of Canadian Airlines
Dec. 22: Air Canada cleared to take over Canadian
Dec. 22: Eastern Canada gets new discount airline
Dec. 22: Canadian welcomes bureau ruling
Dec. 22: Conditions imposed on take-over
Dec. 21: No gouging policy, Air Canada chief promises
Dec. 21: Competition Bureau OKs Air Canada bid for Canadian
Dec. 21: Canada 3000 eyes new markets
Dec. 19: Air Canada, government talks on track to meet Thursday deadline for take-over of Canadian Airlines
Dec. 17: Air Canada obtains $150 M from Caisse
Dec. 15: Caucus report takes different tack on airlines

Dec. 15: Ottawa welcomes WestJet expansion
Dec. 15: WestJet to expand Into Eastern Canada
Dec. 14: Air Canada tosses Canadian a financial lifeline
Dec. 14: Collenette balks at Air Canada deadline
Dec. 14: Air Canada, Ottawa hope restructuring deal near
Dec. 13: Ottawa gets 'deal breakers' list from Air Canada
Dec. 13: Liberal caucus report diverges on airlines
Dec. 10: Not talking money to Canadian: Collenette
Dec. 10: Senate urges new airline ownership rules
Dec. 10: Canadian asks Ottawa for loan guarantee
Dec. 10: Nav Canada moves to seize InterCanadian aircraft
Dec. 9: Air Canada has huge task in restructuring Canadian's debt
Dec. 9: Air Canada set to rule country's airways
Dec. 9: AMR releases grip on Canadian
Dec. 9: Winners, losers in air war
Dec. 9: Opinion: The fastest route to air competition
Dec. 9: Ottawa must stand firm against new air monopoly
Dec. 8: Competition watchdog in pilot seat as Air Canada buys Canadian Airlines
Dec. 8: Ottawa says must ensure new Air Canada competitive
Dec. 8: Air Canada gets control of Canadian Airlines
Dec. 8: MPs want huge concessions from Air Ca[illegible]a
Dec. 8: Panel seeks higher Air Canada ownership limit
Dec. 8: Air Canada, AMR close to pact on ailing Canadian
Dec. 8: Public cooled to Schwartz as airline battle heated up
Dec. 7: Air Canada extends take-over offer for Canadian to Dec. 23
Dec. 7: Charter airlines look for openings in Canadian skies
Dec. 7: AMR sees agreement with Air Canada and Canadian
Dec. 7: InterCanadian employees protest to save their jobs
Dec. 6: Canadian Airlines pilots endorse Air Canada bid
Dec. 6: Air Canada to restructure domestic routes
Dec. 6: AMR says talks with Air Canada productive
Dec. 6: Outlook cloudy for regional air travel
Dec. 6: Air Canada shares soar as Canadian surrenders
Dec. 6: Air Canada closes in on merger victory
Dec. 6: 'Resident tough guy' to take on debt holders
Dec. 6: Air Canada's challenge: soothe bitter feelings of intense combatants
Dec. 6: In the end, 'satisfaction' came from bitter rival
Dec. 5: Consumer protection in sky falls to Ottawa
Dec. 5: Airline employees worry about jobs
Dec. 5: Canadian staff seeks guarantees
Dec. 4: Air Canada may keep regionals
Dec. 3: Canadian silent on bailout prospect
Dec. 2: Air Canada will consider hostile bid for rival
Dec. 2: Canadian Airlines' partners offer little support
Dec. 2: Oneworld still pondering Canadian Airlines future
Dec. 1: InterCanadian woes have deep roots - pilot

November 1999

Nov. 30: Air Canada shares plummet after buyback
Nov. 30: Union calls for aid to grounded regional airline
Nov. 30: Air Canada shareholders rush to disembark
Nov. 30: Canadian rescue plan could cut domestic flights
Nov. 29: Canadian says Air Canada bid fair, but wants more
Nov. 29: Airline restructuring could miss deadline

Nov. 29: InterCanadian shuts down suddenly
Nov. 26: Air Canada deal a threat to competition: watchdog
Nov. 26: Author deplores Canada's unclear aviation policy
Nov. 26: Draft calls for 20% ownership of Air Canada
Nov. 24: Canadian wants more details of Air Canada's take-over plan
Nov. 24: Global partners could bail out Canadian Airlines
Nov. 24: Air Canada's top shareholder seeks larger role
Nov. 23: Canadian says can still evade Air Canada bid
Nov. 23: Canadian Airlines wants more time to ponder
Nov. 23: Onex withdraws EU filing of Canadian air merger
Nov. 23: Canadian Airlines' partners mull their next move
Nov. 22: Canadian Airlines to respond to Air Canada offer
Nov. 22: Take-over of Canadian seen as threat to airports
Nov. 19: Canadian Airlines traffic slips after unusual 1998
Nov. 16: Group wants to merge Canada's regional airlines
Nov. 15: Air Canada issues formal offer for Canadian Airlines
Nov. 15: Air Canada wants to restructure Canadian's debt, offer circular says
Nov. 15: Air Canada shareholders flying blind
Nov. 15: Air Canada's Milton reaches out to Canadian
Nov. 13: Canadian's Benson looks to resolve fears
Nov. 13: Air Canada dispatchers union ratifies contract extension
Nov. 12: Air Canada stock rallies as it prepares take-over bid
Nov. 11: Air Canada boss pledges competitive fares
Nov. 11: Future of InterCanadian up in the air
Nov. 10: Competition watchdog sinks its teeth into airline proposal
Nov. 10: Canadian Airlines unions call for forced merger
Nov. 10: Air Canada's largest shareholder lends it support
Nov. 9: Canadian to discuss options with air partners
Nov. 9: AMR considers Canadian Air important, not critical
Nov. 9: Canadian Airlines getting millions in breaks from AMR
Nov. 9: Air Canada says would build up separate Canadian
Nov. 9: Air Canada boss wants explanation of American position
Nov. 9: Failed bid expected to give Onex pause
Nov. 9: Unions urge Ottawa to help heal split
Nov. 8: Air Canada keen to acquire, fix troubled Canadian
Nov. 8: Onex is expected to aim at other acquisitions
Nov. 8: Destination unknown, Canadian Air stock falls
Nov. 8: Knives out for beleaguered Collenette
Nov. 8: Collenette expects Air Canada to take over Canadian Airlines
Nov. 8: Air Canada shares tumble on Onex bid pullout
Nov. 8: 'We're not coming back,' Onex insists
Nov. 8: Onex may have saved face after ruling
Nov. 8: Benson has few cards left to play in his hardest game yet
Nov. 8: Anxious Canadian looks for means to stay aloft

Onex out:

Nov. 5: Onex airline cancellation disheartens Hargrove
Nov. 5: Canadian back to square one in fight for survival
Nov. 5: Onex withdrawal disappoints ailing Canadian Air
Nov. 5: Court grounds Onex airline bid
Nov. 5: Air Canada still wants to buy rival
Nov. 5: 'AirCo offer is illegal': What the judge said
Nov. 5: Judge rules Onex bid illegal
Nov. 5: Airline war of words plumps Canada newspaper coffers

Nov. 5: Hargrove defends deal with Onex
Nov. 5: Onex says could up Air Canada take-over bid further
Nov. 5: Largest airline union refuses to support either offer
Nov. 5: Air Canada reviews sweetened Onex take-over bid
Nov. 5: Onex raises bid for Air Canada to $17.50 a share
Nov. 5: Airlines ad battle unprecedented
Nov. 5: Canadian's sell-lease deal nets $35 million
Nov. 4: All eyes on Onex in Canada's airline take-over war
Nov. 4: Key airline-battle court decision due today
Nov. 4: American giants fight for alliance with Air Canada
Nov. 4: Canadian agreements would cost $1 billion: American Airlines
Nov. 4: Air Canada unions oppose Onex bid for airline
Nov. 4: UAL's Dutta defends Air Canada
Nov. 4: Onex working to beat deadline with sweeter bid
Nov. 4: Small airlines urge open skies
Nov. 3: Air Canada shares still not sparked by latest offer
Nov. 3: Nasty airline take-over battle could leave scars
Nov. 3: Onex provides details on bridge loan
Nov. 2: Schwartz denies deals with federal officials
Nov. 2: Air Canada raises bid to thwart Onex
Nov. 2: Onex willing to extend bid past Nov. 8
Nov. 2: Canadian Airlines amends stock pact with Onex
Nov. 2: Onex would push to scrap Embraer Canada deal
Nov. 2: Airlines court decision coming Friday
Nov. 2: Air Canada poised to make new counter bid
Nov. 2: Airlines' merger merely a precursor to Aeroflop
Nov. 1: Onex trims Canadian Airlines offer
Nov. 1: Air Canada, Onex spar as higher counter-offer seen
Nov. 1: Air Canada pledges no involuntary layoffs
Nov. 1: Onex, CAW strike deal on labour issues in Air Canada bid

October 1999

Oct. 31: Airline crisis is a Canadian conundrum
Oct. 29: Air Canada seen upping bid to counter Onex offer
Oct. 29: Air Canada asks court to halt take-over
Oct. 29: Onex promises to use Bombardier planes
Oct. 29: Onex secures C$200M in new take-over financing
Oct. 29: New Onex bid still undervalues Air Canada: Milton
Oct. 29: Airline shares sputter at open
Oct. 29: Onex tries to Canadianize merger bid
Oct. 29: Charter airlines set to compete with new carrier
Oct. 29: 'Time is our enemy'
Oct. 29: Air Canada staying with court challenge
Oct. 29: Banks view airline merger with dismay
Oct. 28: Air Canada does not rule out topping sweeter Onex bid
Oct. 28: Onex raises hostile bid for Air Canada
Oct. 28: Onex ups Air Canada bid to $13
Oct. 28: Air Canada says open to creating airline regulator
Oct. 28: AMR agrees to let Canadian Airlines delay payments
Oct. 28: Air industry 'cries out' for competition, MPs told
Oct. 28: Onex ponders how best to swallow Air Canada's pill
Oct. 28: Foreign competition just wouldn't fly with pilots
Oct. 28: Analysts differ on effects of permitting cabotage
Oct. 27: Air Canada shows defence, willing to up bid

Oct. 27: Air Canada says will meet any sweetened Onex bid
Oct. 27: Sweetened Onex bid expected despite penalties
Oct. 27: Canadian Airlines makes Q3 profit, but nine-month loss
Oct. 27: Air Canada could face high break-up fees
Oct. 27: No foreign air competition: minister
Oct. 27: Players in air war bracing for new round of bids
Oct. 27: Schwartz polishes sell for Onex
Oct. 26: Canada mulls key Onex demand in Air Canada bid
Oct. 26: Onex boss denies American Airlines domination
Oct. 26: Ottawa takes role in airline restructuring
Oct. 26: Air Canada's court case on Onex bid could suffer
Oct. 26: Canadian could be broke by the summer
Oct. 26: Onex may polish bid by reducing AMR's role
Oct. 26: Bureau expected to clear merger
Oct. 25: Canadian Airlines rejects Air Canada counteroffer
Oct. 25: Onex threatens to drag OSC into airline fight
Oct. 25: Israel unfairly limiting extra flights: Air Canada
Oct. 23: Canadian could stay in Oneworld
Oct. 22: Canadian fires latest volley in take-over fight
Oct. 22: Air Canada boss strikes back at Onex
Oct. 22: All eyes on Collenette in airline battle
Oct. 22: Air Canada posts strong quarterly profit
Oct. 22: Competition bureau said worried on Canadian
Oct. 21: Collenette to outline air merger timeline
Oct. 21: $2B service contract is key factor in air war
Oct. 20: Industry watchers question plan for low-fare carrier
Oct. 20: Air Canada shareholders weigh competing bids
Oct. 20: Pilots want Air Canada ownership rules clarified
Oct. 20: Air Canada launches counter bid in air wars
Oct. 20: Ottawa will act after shareholder verdict: Collenette
Oct. 20: Passengers, travel agents still oppose monopoly
Oct. 20: Air Canada chief aims to avoid Ottawa bailout
Oct. 20: Tell us more, unions say of offer
Oct. 20: 'Everything about this airline must be low cost'
Oct. 20: Hamilton buzzing over possibility of landing discount airline
Oct. 20: Airline's proposal will be scrutinised by U.S. and EU
Oct. 20: Who speaks for Canada?
Oct. 19: Shareholders will decide who wins airline contest
Oct. 19: Air Canada counter-bid does little to address industry woes -- critics
Oct. 19: In the face of monopolies, consumers need guarantees, group says
Oct. 19: Onex says Air Canada bid "won't fly"
Oct. 19: Battle for Canadian. airlines threatens allianees
Oct. 19: Ottawa says good for Air Canada to have two offers
Oct. 19: Air Canada to receive $730M in aid to fight Onex
Oct. 19: Air Canada to unveil industry announcement today
Oct. 19: EU's Monti sees Canadian carriers ceding slots
Oct. 19: Canadian Airlines' traffic results near 'disastrous'
Oct. 18: Onex considers bettering bid
Oct. 18: Onex: unfazed by EU probe
Oct. 18: EU probes Canadian airlines merger
Oct. 18: Contract dictates AMR take over profitable routes
Oct. 15: Canadian's president pushes for merger with Air Canada
Oct. 15: Star Alliance may put up cash to help Air Canada
Oct. 15: Air Canada gets support to fight take-over
Oct. 15: Schwartz sets Nov. 10 deadline

Oct. 15: Star Alliance expands its global network
Oct. 15: Air alliances fail to totally convince passengers
Oct. 14: Onex says Air Canada trying to intimidate holders
Oct. 14: Backbenchers threaten to stall Onex bid
Oct. 13: Onex brings its airline merger road show to Ottawa
Oct. 13: Quebec urges Ottawa to clarify stand on Air Canada
Oct. 13: Air Canada pilots pursue campaign against Onex bid
Oct. 13: Schwartz talks jobs in CANOE chat
Oct. 13: Tory caucus sceptical of Onex bid
Oct. 13: Milton says counteroffer will account for Canadian
Oct. 8: Onex provides "iron-clad" commitments
Oct. 8: Onex to announce guarantees on jobs, regional service
Oct. 8: Air Canada board rejects "illegal" Onex bid
Oct. 8: Lufthansa willing to buy stake in Air Canada
Oct. 8: Brokers take arms in airlines campaign
Oct. 7: Air Canada says its Star allies will help defend it
Oct. 7: InterCanadian pres. optimistic on merger opportunities
Oct. 7: Quebec says worried by Onex offer for Air Canada
Oct. 7: Lufthansa CEO hints at cap stake in Air Canada
Oct. 7: SAS surprised at Lufthansa's Air Canada comments
Oct. 7: Air Canada injunction has no basis: Onex
Oct. 7: Bureau spells out airline merger issues
Oct. 6: AMR may be willing to help Canadian
Oct. 5: Air Canada president rules out foreign control
Oct. 5: Timing crucial to Air Canada's countermove
Oct. 5: Countdown for call centre workers
Oct. 4: Onex won't buy Canadian if merger with Air Canada doesn't fly
Oct. 4: Air Canada expected to unveil two-pronged offensive, predicts analyst
Oct. 4: Onex chairman takes nationalistic swipe at competing bid
Oct. 4: Schwartz tries to allay fears over Onex's bid
Oct. 4: Air Canada, BMO quiet on counter bid rumours
Oct. 4: Lufthansa alone won't save Air Canada
Oct. 4: Lufthansa declines comment on bid report
Oct. 3: Air Canada says UAL-Lufthansa report unfounded
Oct. 3: United, Lufthansa and BMO preparing airline counter bid, says Tribune
Oct. 1: Onex tries to reassure Ottawa on competition, consumer concerns
Oct. 1: Onex bid faces hurdles
Oct. 1: Royal Airlines staying with charter focus
Oct. 1: Report says Canada's airfares are on the low side

September 1999

Sept. 30: The Battle for Canadian skies: An American plot or a question of monopoly?
Sept. 30: Air Canada lifted by counter bid speculation
Sept. 30: Royal Airlines could benefit from airline merger; Cuts costs
Sept. 30: More investors shorting Air Canada
Sept. 29: Onex gains with court win; aims to step up lobbying campaign
Sept. 29: Onex wins bid to force early Air Canada vote
Sept. 29: Canadian Airlines stays the course with its new ad campaign
Sept. 29: Not even Onex had an idea it would set off so many sparks
Sept. 28: Onex wins court battle on shareholder vote
Sept. 28: Airlines must remain under domestic control, says Collenette
Sept. 28: Chretien not concerned about airline loss
Sept. 27: New maintenance jobs in doubt if airlines merge
Sept. 27: Unions cool to Milton's pitch for longer contracts

Sept. 27: I win, you lose
Sept. 27: Corporate agenda weakens Air Canada ads
Sept. 27: KLM chief says airline planning to merge with Italy's Alitalia
Sept. 24: Canadian could last one year without merger
Sept. 24: Canada to outline rules on airline mergers
Sept. 24: Air Canada aborted merger: Canadian CEO
Sept. 24: Air Canada brass get bailout packages
Sept. 23: Technology jobs at stake under Onex plan, says report
Sept. 23: Schwartz helps business school fly
Sept. 23: Machinists call off airline strike
Sept. 22: AMR boss hits 'nationalist' Air Canada defence
Sept. 22: Onex argues for quick vote on Air Canada bid
Sept. 22: Machinists union calls off illegal strike
Sept. 22: Counter bid for Air Canada may be 'weeks away'
Sept. 22: Competition experts decry use of Section 47
Sept. 22: WestJet alliance in question
Sept. 21: Opportunity knocking but WestJet not interested in moving eastward
Sept. 21: WestJet CEO won't tender Air Canada stock to Onex
Sept. 21: Air Canada board rejects Onex offer
Sept. 21: The Financial Post's Diane Francis: Markets should set Canadian's fate
Sept. 21: Lessons from the perilous skies
Sept. 20: Air Canada board sends recommendations
Sept. 20: Boston trust buys 10 per cent of Air Canada shares
Sept. 20: Air Canada prepares its counter-assault
Sept. 20: Merged airline could reap rewards from tax losses
Sept. 20: Union scheduled to meet minister of transport today
Sept. 17: Airline battle heats up, alliance threatened
Sept. 17: Air Canada releases solid two-month results
Sept. 17: United Airlines hires lobbyists for air battle
Sept. 17: Schwartz shows increasing frustration with Air Canada
Sept. 16: Schwartz promotes deal in Montreal
Sept. 16: Onex purchase of Air Canada stock under scrutiny
Sept. 16: High Liner CEO joins ranks of Onex critics
Sept. 15: Machinists union to meet with federal Transport Minister
Sept. 15: Quebec's Caisse undecided on Onex Air Canada bid
Sept. 15: Air Canada pilots want access to financial data
Sept. 15: Canadian open to counter bid from Air Canada
Sept. 15: Onex displays a host of impeccable connections
Sept. 15: Small business not opposed to airline merger
Sept. 15: Regulators could still unwind merger after it's completed
Sept. 14: Government seen unveiling new airline rules
Sept. 14: Collenette, Reform both reluctant flyers in Onex affair
Sept. 14: Onex president defends company's share purchase
Sept. 14: Onex knew Canadian Airlines was to ask for law relax
Sept. 14: Air Canada takes its merger battle to Federal Court
Sept. 14: Air Canada seen considering counter bid
Sept. 14: Fox says Onex pitch needs improvement
Sept. 14: Travel agency speaks out against Onex plan
Sept. 13: Onex denies wrongdoing in share purchase
Sept. 13: Air Canada seeks clarity on airline merger rules
Sept. 13: Collenette helped arrange '95 jet joyride for Schwartz
Sept. 10: Canadian Air will have cash at yearend - official
Sept. 10: Onex prepares to be upstaged by rival
Sept. 10: Ottawa says not playing favourites in airline battle
Sept. 9: Labor leaders want a piece of looming airline merger

Sept. 14: Air Canada seen considering counter bid
Sept. 14: Fox says Onex pitch needs improvement
Sept. 14: Travel agency speaks out against Onex plan
Sept. 13: Onex denies wrongdoing in share purchase
Sept. 13: Air Canada seeks clarity on airline merger rules
Sept. 13: Collenette helped arrange '95 jet joyride for Schwartz
Sept. 10: Canadian Air will have cash at yearend - official
Sept. 10: Onex prepares to be upstaged by rival
Sept. 10: Ottawa says not playing favourites in airline battle
Sept. 9: Labor leaders want a piece of looming airline merger
Sept. 9: Air Canada shares fly on hopes for higher bid
Sept. 9: Bid to shut down airlines will stall: union leader
Sept. 9: Air Canada pilots opposed hostile Onex take-over bid
Sept. 9: Top Ottawa lobbyists push behind the scenes for Onex
Sept. 9: Air Canada, Onex meet head-to-head
Sept. 9: Merged airlines would carry financial baggage
Sept. 8: Schwartz gives Milton his offer for Air Canada
Sept. 8: Air Canada to take time reviewing Onex offer
Sept. 8: U.S. carriers could provide competition in Canada
Sept. 7: Air Canada shareholders expected to see Onex bid today
Sept. 7: Air Canada, Onex take-over dispute to be heard Sept. 22
Sept. 7: Onex begins battle to win over Air Canada
Sept. 3: Air Canada plans counter bid to Onex proposal
Sept. 3: Collenette criticised for airline merger; fare hikes predicted
Sept. 3: Canadian autoworkers won't support machinists
Sept. 3: Canada would impose conditions on airline monopoly
Sept. 2: Workers threaten strike over airline deal
Sept. 2: Canada denies it will extend 90-day airline waiver
Sept. 2: Watchdog body will play no part in airline bid
Sept. 2: Air Canada shareholders in waiting game
Sept. 2: Ottawa takes heat for opening can of worms
Sept. 2: Skies not expected to open for U.S. carriers
Sept. 1: Marriage proposal raises foreign ownership fears

August 1999

Aug. 31: Onex attempts to force earlier Air Canada meeting
Aug. 31: Air Canada fights Onex with poison pill
Aug. 30: CAW chief Hargrove mostly pleased with Onex plan
Aug. 30: Onex CEO says no plan to sweeten Air Canada bid
Aug. 30: Schwartz to put his case to Air Canada
Aug. 27: Any Canadian airline deal faces complex legal hurdles
Aug. 27: Air Canada's main union mulls its next move
Aug. 26: Competing alliances have huge stake in aviation shake-up
Aug. 26: Ottawa's role in airline dealing comes under scrutiny
Aug. 26: Airline battle reaches beyond Canada's borders
Aug. 26: Newest suitor for Air Canada: Its employees
Aug. 26: Unions prepare obstacles to Onex airline deal
Aug. 26: American Airlines renowned for playing hardball
Aug. 26: Airline merger deserves green light - with conditions
Aug. 25: Air Canada plots response to Onex bid
Aug. 25: Proposed merger actually good news for ticket buyers
Aug. 25: American interests hold sway in airline merger
Aug. 25: Shareholders not sold on bid for Air Canada

Aug. 25: Battle begins to rule Canada's skies
Aug. 25: Onex still has eye on Shoppers Drug Mart
Aug. 25: Smaller airlines aim to fill gaps if merger ratified
Aug. 25: AMR seizes opportunity to recoup investment

Onex Deal Day:

Aug. 24: Schwartz known as big deal-maker with Liberal ties
Aug. 24: Merger marks the end of a dream for many westerners
Aug. 24: Consumers worried about airlines; Ottawa says wait and see
Aug. 24: Onex to buy Air Canada, Canadian airlines
Aug. 24: Canadian air industry seen reaping rewards of merger
Aug. 24: Canadian government welcomes airlines investment
Aug. 24: Onex sees 10 percent staff cut after airline merger
Aug. 24: Air Canada to wait to comment on Onex offer Pre-Onex Deal
Aug. 20: Canadian Air rejects Air Canada routes bid
Aug. 13: Canadian Airlines wants time to talk route-carving
Aug. 13: WestJet willing to be enter airline talks
Aug. 13: Air Canada would look at Canadian Air routes, assets
Aug. 13: Government Press Release
Aug. 13: Ottawa eases way for possible restructuring in airline industry

Appendix III: Additional Flight Schedule Details

From: YBL	To: YQQ	Depart: 6:45a	Arrive: 7:05a	(AC) Flight 1710
		Depart: 11:55a	Arrive: 12:10p	(CP) Flight 2825
		Depart: 5:55p	Arrive: 6:10p	(CP) Flight 2829
From: YBL	To: YVR	Depart: 6:45a	Arrive: 7:50a	(AC) Flight 1710
		Depart: 6:50a	Arrive: 7:30a	(CP) Flight 2826
		Depart: 9:30a	Arrive: 10:10a	(AC) Flight 1702
		Depart: 9:35a	Arrive: 10:15a	(CP) Flight 2823
		Depart: 11:55a	Arrive: 1:00p	(CP) Flight 2825
		Depart: 1:05p	Arrive: 1:45p	(AC) Flight 1712
		Depart: 3:00p	Arrive: 3:40p	(CP) Flight 2827
		Depart: 4:50p	Arrive: 5:30p	(AC) Flight 1722
		Depart: 5:55p	Arrive: 7:00p	(CP) Flight 2829
		Depart: 7:10p	Arrive: 7:50p	(AC) Flight 1740
From: YQQ	To: YBL	Depart: 9:05a	Arrive: 9:20a	(CP) Flight 2823
		Depart: 2:30p	Arrive: 2:45p	(CP) Flight 2827
		Depart: 9:05p	Arrive: 9:25p	(AC) Flight 1695
		Depart: 9:30p	Arrive: 9:45p	(CP) Flight 2831
From: YBL	To: YVR	Depart: 6:45a	Arrive: 7:50a	(AC) Flight 1710
		Depart: 6:50a	Arrive: 7:30a	(CP) Flight 2826
		Depart: 9:30a	Arrive: 10:10a	(AC) Flight 1702
		Depart: 9:35a	Arrive: 10:15a	(CP) Flight 2823
		Depart: 11:55a	Arrive: 1:00p	(CP) Flight 2825
		Depart: 1:05p	Arrive: 1:45p	(AC) Flight 1712
		Depart: 3:00p	Arrive: 3:40p	(CP) Flight 2827
		Depart: 4:50p	Arrive: 5:30p	(AC) Flight 1722
		Depart: 5:55p	Arrive: 7:00p	(CP) Flight 2829
		Depart: 7:10p	Arrive: 7:50p	(AC) Flight 1740
From: YDQ	To: YXS	Depart: 6:00a	Arrive: 5:50a	(AC) Flight 1719
		Depart: 11:15a	Arrive: 11:05a	(AC) Flight 1805
		Depart: 6:15p	Arrive: 6:05p	(AC) Flight 1715
		Depart: 9:05p	Arrive: 8:55p	(AC) Flight 1808
From: YDQ	To: YYC	Depart: 6:00a	Arrive: 8:55a	(AC) Flight 1719
From: YKA	To: YLW	Depart: 6:20p	Arrive: 6:45p	(AC) Flight 1690
From: YKA	To: YXS	Depart: 7:35a	Arrive: 8:40a	(AC) Flight 1691
From: YKA	To: YVR	Depart: 6:15a	Arrive: 7:20a	(CP) Flight 1109
		Depart: 6:30a	Arrive: 7:30a	(AC) Flight 1733
		Depart: 9:25a	Arrive: 10:27a	(CP) Flight 1111
		Depart: 12:05p	Arrive: 1:05p	(AC) Flight 1765
		Depart: 12:20p	Arrive: 1:22p	(CP) Flight 1113
		Depart: 3:25p	Arrive: 4:26p	(CP) Flight 1115
		Depart: 5:05p	Arrive: 6:05p	(AC) Flight 1789
		Depart: 6:25p	Arrive: 7:25p	(AC) Flight 1786
		Depart: 6:30p	Arrive: 7:32p	(CP) Flight 1117
From: YKA	To: YYC	Depart: 9:05a	Arrive: 11:15a	(AC) Flight 1724
		Depart: 12:55p	Arrive: 3:05p	(AC) Flight 1730
		Depart: 4:30p	Arrive: 6:37p	(AC) Flight 1768
		Depart: 5:55p	Arrive: 8:05p	(AC) Flight 1790

From	To	Depart	Arrive		
YCG	YCD	12:20p	2:20p	(AC)	Flight 1793
YCG	YVR	9:00a	10:22a	(CP)	Flight 1141
		12:20p	1:35p	(AC)	Flight 1793
		1:10p	2:31p	(CP)	Flight 1151
		3:25p	4:40p	(AC)	Flight 1797
		4:05p	5:26p	(CP)	Flight 1145
YCG	YYC	9:00a	11:00a	(AC)	Flight 1792
		1:30p	3:30p	(AC)	Flight 1776
YXC	YVR	6:50a	7:30a	(CP)	Flight 1101
		10:05a	10:48a	(CP)	Flight 1103
		5:05p	5:45p	(CP)	Flight 1105
YXC	YYC	6:25a	7:15a	(AC)	Flight 1908
		12:35p	1:25p	(AC)	Flight 1922
		12:55p	1:40p	(CP)	Flight 2040
		4:00p	4:50p	(AC)	Flight 1928
		5:40p	6:25p	(CP)	Flight 2042
YXJ	YKA	4:45p	6:05p	(AC)	Flight 1690
YXJ	YLW	4:45p	6:45p	(AC)	Flight 1690
YXJ	YXS	4:45p	4:40p	(AC)	Flight 16[illegible]
YXJ	YVR	10:15a	10:49a	(CP)	Flight 1203
		3:25p	3:59p	(CP)	Flight 1205
		8:40p	9:54p	(CP)	Flight 1207
YXJ	YEG	3:20p	5:26p	(CP)	Flight 1271
YLW	YKA	6:55a	7:20a	(AC)	Flight 1691
YLW	YXS	6:55a	8:40a	(AC)	Flight 1691
		7:30a	9:55a	(WS)	Flight 27
		4:50p	7:15p	(WS)	Flight 31
YLW	YYJ	8:25a	10:20a	(CP)	Flight 1217
		4:35p	5:25p	(WS)	Flight 15
YLW	YVR	6:40a	7:30a	(CP)	Flight 1121
		7:30a	8:20a	(WS)	Flight 27
		8:25a	9:28a	(CP)	Flight 1217
		8:45a	9:35a	(WS)	Flight 44
		8:45a	9:45a	(AC)	Flight 1694
		9:40a	10:43a	(CP)	Flight 1125
		12:20p	1:10p	(WS)	Flight 70
		12:30p	1:35p	(AC)	Flight 1604
		12:35p	1:38p	(CP)	Flight 1127
		2:15p	3:15p	(AC)	Flight 1781
		3:30p	4:33p	(BA)	Flight 6480
		3:30p	4:33p	(CP)	Flight 1129
		4:00p	4:50p	(CP)	Flight 1131
		4:00p	4:50p	(BA)	Flight 6520
		4:50p	5:40p	(WS)	Flight 31
		6:30p	7:33p	(CP)	Flight 1133
		7:30p	8:35p	(AC)	Flight 1623
		7:35p	8:38p	(CP)	Flight 1135

From: YLW	To: YYC	Depart: 6:45a	Arrive: 8:55a	(CP)	Flight 1280
		Depart: 9:05a	Arrive: 11:20a	(AC)	Flight 1625
		Depart: 9:30a	Arrive: 11:42a	(CP)	Flight 1282
		Depart: 10:35a	Arrive: 12:30p	(WS)	Flight 12
		Depart: 11:05a	Arrive: 1:15p	(AC)	Flight 1780
		Depart: 1:10p	Arrive: 3:05p	(CP)	Flight 1124
		Depart: 1:15p	Arrive: 3:30p	(AC)	Flight 1611
		Depart: 3:15p	Arrive: 5:10p	(WS)	Flight 71
		Depart: 5:20p	Arrive: 7:33p	(BA)	Flight 6524
		Depart: 5:20p	Arrive: 7:33p	(CP)	Flight 1128
		Depart: 5:30p	Arrive: 7:45p	(AC)	Flight 1621
		Depart: 5:45p	Arrive: 8:50p	(WS)	Flight 24
From: YLW	To: YEG	Depart: 9:05a	Arrive: 12:45p	(AC)	Flight 1625
		Depart: 10:25a	Arrive: 12:25p	(WS)	Flight 26
		Depart: 1:15p	Arrive: 3:15p	(WS)	Flight 37
		Depart: 5:45p	Arrive: 7:45p	(WS)	Flight 24
From: YCD	To: YCG	Depart: 1:10p	Arrive: 3:05p	(AC)	Flight 1796
From: YCD	To: YVR	Depart: 6:35a	Arrive: 6:55a	(AC)	Flight 1743
		Depart: 7:00a	Arrive: 7:20a	(CP)	Flight 2800
		Depart: 7:15a	Arrive: 7:35a	(H3)	Flight 1102
		Depart: 8:25a	Arrive: 8:45a	(H3)	Flight 1104
		Depart: 8:40a	Arrive: 9:00a	(AC)	Flight 1745
		Depart: 8:40a	Arrive: 9:00a	(CP)	Flight 2802
		Depart: 10:50a	Arrive: 11:10a	(AC)	Flight 1747
		Depart: 10:50a	Arrive: 11:10a	(CP)	Flight 2804
		Depart: 12:30p	Arrive: 12:50p	(H3)	Flight 1106
		Depart: 12:40p	Arrive: 1:00p	(CP)	Flight 2806
		Depart: 1:10p	Arrive: 1:30p	(AC)	Flight 1796
		Depart: 2:35p	Arrive: 2:55p	(AC)	Flight 1734
		Depart: 3:00p	Arrive: 3:20p	(CP)	Flight 2808
		Depart: 4:35p	Arrive: 4:55p	(AC)	Flight 1753
		Depart: 4:45p	Arrive: 5:05p	(H3)	Flight 1108
		Depart: 5:00p	Arrive: 5:20p	(CP)	Flight 2810
		Depart: 6:15p	Arrive: 6:35p	(AC)	Flight 1757
		Depart: 6:50p	Arrive: 7:10p	(CP)	Flight 2812
		Depart: 8:25p	Arrive: 8:45p	(AC)	Flight 1759
From: YXS	To: YDQ	Depart: 9:10a	Arrive: 10:55a	(AC)	Flight 1802
		Depart: 11:20a	Arrive: 1:05p	(AC)	Flight 1806
		Depart: 6:25p	Arrive: 8:10p	(AC)	Flight 1718
From: YXS	To: YXJ	Depart: 12:45p	Arrive: 2:40p	(AC)	Flight 1689
From: YXS	To: YKA	Depart: 5:00p	Arrive: 6:05p	(AC)	Flight 1690
From: YXS	To: YLW	Depart: 10:25a	Arrive: 12:50p	(WS)	Flight 37
		Depart: 5:00p	Arrive: 6:45p	(AC)	Flight 1690
From: YXS	To: YYJ	Depart: 12:25p	Arrive: 1:30p	(WS)	Flight 39
From: YXS	To: YVR	Depart: 6:10a	Arrive: 7:24a	(CP)	Flight 1185
		Depart: 8:30a	Arrive: 9:40a	(CP)	Flight 1187
		Depart: 10:25a	Arrive: 11:30a	(WS)	Flight 37
		Depart: 11:20a	Arrive: 12:55p	(AC)	Flight 1816
		Depart: 11:50a	Arrive: 12:59p	(CP)	Flight 1191
		Depart: 4:10p	Arrive: 5:21p	(BA)	Flight 6490
		Depart: 4:10p	Arrive: 5:21p	(CP)	Flight 1193
		Depart: 6:05p	Arrive: 7:15p	(BA)	Flight 6484

		Depart:	6:05p	Arrive:	7:15p	(CP) Flight 1195
		Depart:	6:20p	Arrive:	7:55p	(AC) Flight 1842
		Depart:	6:55p	Arrive:	8:04p	(CP) Flight 1197
		Depart:	7:40p	Arrive:	8:45p	(WS) Flight 32
		Depart:	8:10p	Arrive:	9:17p	(CP) Flight 1199
From: YXS	To: YYC	Depart:	6:15a	Arrive:	8:55a	(AC) Flight 1719
		Depart:	3:30p	Arrive:	5:40p	(WS) Flight 40
From: YXS	To: YEG	Depart:	10:25a	Arrive:	3:15p	(WS) Flight 37
From: YQZ	To: YCD	Depart:	2:20p	Arrive:	4:20p	(AC) Flight 1804
From: YQZ	To: YWL	Depart:	9:45a	Arrive:	10:15a	(AC) Flight 1640
		Depart:	8:15p	Arrive:	8:45p	(AC) Flight 1644
From: YQZ	To: YVR	Depart:	9:45a	Arrive:	11:45a	(AC) Flight 1640
		Depart:	2:20p	Arrive:	3:35p	(AC) Flight 1804
		Depart:	8:15p	Arrive:	10:15p	(AC) Flight 1644
From: YYD	To: YVR	Depart:	6:50a	Arrive:	8:30a	(AC) Flight 1731
		Depart:	9:00a	Arrive:	10:50a	(CP) Flight 1161
		Depart:	10:20a	Arrive:	12:00p	(AC) Flight 1728
		Depart:	6:15p	Arrive:	8:05p	(CP) Flight 1165
From: YYJ	To: YCG	Depart:	10:45a	Arrive:	12:46p	(CP) Flight 1226
From: YYJ	To: YXC	Depart:	6:10a	Arrive:	9:40a	(CP) Flight 1214
From: YYJ	To: YKA	Depart:	10:00a	Arrive:	11:48a	(CP) Flight 1222
		Depart:	7:00a	Arrive:	8:54a	(CP) Flight 1216
From: YYJ	To: YLW	Depart:	9:10a	Arrive:	9:55a	(WS) Flight 26
From: YYJ	To: YXS	Depart:	2:00p	Arrive:	3:00p	(WS) Flight 40
From: YYJ	To: YVR	Depart:	5:50a	Arrive:	6:15a	(CP) Flight 1160
		Depart:	6:10a	Arrive:	6:35a	(CP) Flight 1214
		Depart:	6:30a	Arrive:	6:55a	(AC) Flight 1634
		Depart:	7:00a	Arrive:	7:25a	(CP) Flight 1216
		Depart:	7:00a	Arrive:	7:30a	(JB) Flight 852
		Depart:	7:00a	Arrive:	7:35a	(8O) Flight 102
		Depart:	7:00a	Arrive:	7:45a	(JB) Flight 852
		Depart:	7:10a	Arrive:	7:45a	(H3) Flight 202
		Depart:	7:15a	Arrive:	7:50a	(JB) Flight 702
		Depart:	7:30a	Arrive:	8:05a	(8O) Flight 104
		Depart:	7:45a	Arrive:	8:10a	(AC) Flight 1506
		Depart:	7:50a	Arrive:	8:25a	(JB) Flight 704
		Depart:	8:00a	Arrive:	8:25a	(CP) Flight 1218
		Depart:	8:00a	Arrive:	8:35a	(8O) Flight 106
		Depart:	8:10a	Arrive:	8:45a	(H3) Flight 204
		Depart:	8:20a	Arrive:	8:55a	(JB) Flight 706
		Depart:	8:50a	Arrive:	9:20a	(JB) Flight 854
		Depart:	8:50a	Arrive:	9:35a	(JB) Flight 854
		Depart:	9:00a	Arrive:	9:25a	(CP) Flight 1220
		Depart:	9:00a	Arrive:	9:35a	(8O) Flight 112
		Depart:	9:10a	Arrive:	9:45a	(JB) Flight 708
		Depart:	9:10a	Arrive:	9:45a	(H3) Flight 206
		Depart:	9:30a	Arrive:	9:55a	(AC) Flight 1510
		Depart:	9:30a	Arrive:	10:05a	(JB) Flight 710
		Depart:	10:00a	Arrive:	10:25a	(CP) Flight 1222

		Depart:	10:15a	Arrive:	10:50a	(JB)	Flight 712
		Depart:	10:45a	Arrive:	11:10a	(CP)	Flight 1226
		Depart:	11:00a	Arrive:	11:25a	(CP)	Flight 1228
		Depart:	11:00a	Arrive:	11:35a	(8O)	Flight 118
		Depart:	11:05a	Arrive:	11:30a	(AC)	Flight 1504
		Depart:	11:10a	Arrive:	11:45a	(H3)	Flight 210
		Depart:	11:15a	Arrive:	11:50a	(JB)	Flight 714
		Depart:	11:50a	Arrive:	12:20p	(JB)	Flight 856
		Depart:	11:50a	Arrive:	12:35p	(JB)	Flight 856
		Depart:	12:00p	Arrive:	12:25p	(CP)	Flight 1230
		Depart:	12:00p	Arrive:	12:35p	(JB)	Flight 716
		Depart:	12:15p	Arrive:	12:40p	(AC)	Flight 1512
		Depart:	1:00p	Arrive:	1:25p	(CP)	Flight 1234
		Depart:	1:00p	Arrive:	1:35p	(JB)	Flight 718
		Depart:	1:00p	Arrive:	1:35p	(8O)	Flight 130
		Depart:	1:05p	Arrive:	1:30p	(AC)	Flight 1514
		Depart:	1:10p	Arrive:	1:45p	(H3)	Flight 214
		Depart:	1:50p	Arrive:	2:25p	(JB)	Flight 720
		Depart:	2:00p	Arrive:	2:25p	(CP)	Flight 1236
		Depart:	2:00p	Arrive:	2:35p	(8O)	Flight 140
		Depart:	2:05p	Arrive:	2:30p	(AC)	Flight 1516
		Depart:	2:30p	Arrive:	3:05p	(JB)	Flight 736
		Depart:	2:45p	Arrive:	3:20p	(JB)	Flight 722
		Depart:	2:50p	Arrive:	3:15p	(AC)	Flight 1518
		Depart:	3:00p	Arrive:	3:35p	(8O)	Flight 150
		Depart:	3:05p	Arrive:	3:30p	(CP)	Flight 1238
		Depart:	3:10p	Arrive:	3:45p	(H3)	Flight 218
		Depart:	3:30p	Arrive:	4:05p	(JB)	Flight 724
		Depart:	4:00p	Arrive:	4:25p	(CP)	Flight 1254
		Depart:	4:00p	Arrive:	4:35p	(JB)	Flight 738
		Depart:	4:00p	Arrive:	4:35p	(8O)	Flight 160
		Depart:	4:10p	Arrive:	4:45p	(H3)	Flight 220
		Depart:	4:25p	Arrive:	4:50p	(AC)	Flight 1524
		Depart:	4:20p	Arrive:	4:55p	(JB)	Flight 726
		Depart:	4:50p	Arrive:	5:20p	(JB)	Flight 858
		Depart:	4:50p	Arrive:	5:35p	(JB)	Flight 858
		Depart:	5:00p	Arrive:	5:25p	(BA)	Flight 6546
		Depart:	5:00p	Arrive:	5:25p	(CP)	Flight 1210
		Depart:	5:00p	Arrive:	5:35p	(8O)	Flight 170
		Depart:	5:10p	Arrive:	5:45p	(H3)	Flight 222
		Depart:	5:20p	Arrive:	5:55p	(JB)	Flight 728
		Depart:	5:40p	Arrive:	6:15p	(JB)	Flight 730
		Depart:	5:45p	Arrive:	6:10p	(AC)	Flight 1526
		Depart:	6:00p	Arrive:	6:25p	(BA)	Flight 6554
		Depart:	6:00p	Arrive:	6:25p	(CP)	Flight 1242
		Depart:	6:10p	Arrive:	6:40p	(JB)	Flight 860
		Depart:	6:10p	Arrive:	6:55p	(JB)	Flight 860
		Depart:	6:45p	Arrive:	7:10p	(AC)	Flight 1520
		Depart:	6:50p	Arrive:	7:25p	(JB)	Flight 732
		Depart:	7:05p	Arrive:	7:30p	(CP)	Flight 1244
		Depart:	7:05p	Arrive:	7:30p	(BA)	Flight 6540
		Depart:	7:30p	Arrive:	8:05p	(JB)	Flight 734
		Depart:	8:05p	Arrive:	8:30p	(CP)	Flight 1208
		Depart:	8:20p	Arrive:	8:45p	(AC)	Flight 1632
From: YYJ	To: YYC	Depart:	12:40p	Arrive:	3:30p	(AC)	Flight 1853
		Depart:	2:00p	Arrive:	5:40p	(WS)	Flight 40
		Depart:	7:05p	Arrive:	9:20p	(WS)	Flight 30
From: YYJ	To: YEG	Depart:	9:10a	Arrive:	12:25p	(WS)	Flight 26
		Depart:	5:55p	Arrive:	8:20p	(WS)	Flight 16

From: YVR	To: YBL	Depart: 8:15a	Arrive: 9:20a	(CP)	Flight 2823
		Depart: 8:25a	Arrive: 9:10a	(AC)	Flight 1701
		Depart: 10:55a	Arrive: 11:40a	(CP)	Flight 2825
		Depart: 12:05p	Arrive: 12:50p	(AC)	Flight 1711
		Depart: 1:40p	Arrive: 2:45p	(CP)	Flight 2827
		Depart: 3:45p	Arrive: 4:30p	(AC)	Flight 1721
		Depart: 5:00p	Arrive: 5:40p	(CP)	Flight 2829
		Depart: 6:05p	Arrive: 6:50p	(AC)	Flight 1703
		Depart: 8:15p	Arrive: 9:25p	(AC)	Flight 1695
		Depart: 8:40p	Arrive: 9:45p	(CP)	Flight 2831
From: YVR	To: YCG	Depart: 7:20a	Arrive: 8:31a	(CP)	Flight 1212
		Depart: 10:40a	Arrive: 12:00p	(AC)	Flight 1788
		Depart: 11:35a	Arrive: 12:46p	(CP)	Flight 1226
		Depart: 1:55p	Arrive: 3:05p	(AC)	Flight 1796
		Depart: 2:30p	Arrive: 3:41p	(CP)	Flight 1142
From: YVR	To: YQQ	Depart: 8:15a	Arrive: 8:50a	(CP)	Flight 2823
		Depart: 8:30a	Arrive: 9:10a	(AC)	Flight 1705
		Depart: 10:55a	Arrive: 12:10p	(CP)	Flight 2825
		Depart: 1:40p	Arrive: 2:15p	(CP)	Flight 2827
		Depart: 1:40p	Arrive: 2:20p	(AC)	Flight 1729
		Depart: 5:00p	Arrive: 6:10p	(CP)	Flight 2829
		Depart: 5:30p	Arrive: 6:15p	(VL)	Flight 131
		Depart: 5:45p	Arrive: 6:25p	(AC)	Flight 1707
		Depart: 6:20p	Arrive: 6:55p	(CP)	Flight 2833
		Depart: 8:15p	Arrive: 8:55p	(AC)	Flight 1695
		Depart: 8:40p	Arrive: 9:15p	(CP)	Flight 2831
From: YVR	To: YXC	Depart: 7:10a	Arrive: 9:40a	(CP)	Flight 1214
		Depart: 2:10p	Arrive: 4:40p	(CP)	Flight 1102
		Depart: 7:30p	Arrive: 10:00p	(CP)	Flight 1104
From: YVR	To: YXJ	Depart: 6:55a	Arrive: 9:28a	(CP)	Flight 1202
		Depart: 12:30p	Arrive: 2:57p	(CP)	Flight 1204
		Depart: 5:05p	Arrive: 8:12p	(CP)	Flight 1206
From: YVR	To: YKA	Depart: 7:55a	Arrive: 8:45a	(AC)	Flight 1724
		Depart: 7:55a	Arrive: 8:54a	(CP)	Flight 1216
		Depart: 10:55a	Arrive: 11:45a	(AC)	Flight 1736
		Depart: 10:55a	Arrive: 11:48a	(CP)	Flight 1222
		Depart: 2:05p	Arrive: 3:00p	(CP)	Flight 1112
		Depart: 3:55p	Arrive: 4:45p	(AC)	Flight 1732
		Depart: 5:10p	Arrive: 6:07p	(CP)	Flight 1114
		Depart: 5:15p	Arrive: 6:05p	(AC)	Flight 1785
		Depart: 8:30p	Arrive: 9:24p	(CP)	Flight 1116
		Depart: 9:15p	Arrive: 10:05p	(AC)	Flight 1754
From: YVR	To: YLW	Depart: 7:00a	Arrive: 8:01a	(CP)	Flight 1120
		Depart: 7:55a	Arrive: 8:58a	(CP)	Flight 1122
		Depart: 9:10a	Arrive: 10:00a	(WS)	Flight 12
		Depart: 9:45a	Arrive: 10:45a	(AC)	Flight 1780
		Depart: 11:55a	Arrive: 12:45p	(CP)	Flight 1124
		Depart: 11:55a	Arrive: 12:55p	(AC)	Flight 1611
		Depart: 12:00p	Arrive: 12:50p	(WS)	Flight 37
		Depart: 1:55p	Arrive: 2:45p	(WS)	Flight 71
		Depart: 4:00p	Arrive: 5:00p	(CP)	Flight 1128
		Depart: 2:00p	Arrive: 3:04p	(CP)	Flight 1126
		Depart: 4:25p	Arrive: 5:15p	(WS)	Flight 24

		Depart:	5:00p	Arrive:	6:00p	(CP) Flight 1130
		Depart:	6:10p	Arrive:	7:10p	(AC) Flight 1622
		Depart:	6:10p	Arrive:	7:11p	(CP) Flight 1132
		Depart:	9:20p	Arrive:	10:10p	(BA) Flight 6465
		Depart:	9:20p	Arrive:	10:10p	(CP) Flight 1136
From: YVR	To: YCD	Depart:	7:50a	Arrive:	8:10a	(H3) Flight 1103
		Depart:	8:00a	Arrive:	8:20a	(CP) Flight 2801
		Depart:	8:05a	Arrive:	8:25a	(AC) Flight 1744
		Depart:	10:10a	Arrive:	10:30a	(CP) Flight 2803
		Depart:	10:15a	Arrive:	10:35a	(AC) Flight 1746
		Depart:	11:55a	Arrive:	12:15p	(H3) Flight 1105
		Depart:	12:00p	Arrive:	12:20p	(CP) Flight 2805
		Depart:	12:30p	Arrive:	12:50p	(AC) Flight 1748
		Depart:	2:00p	Arrive:	2:20p	(AC) Flight 1793
		Depart:	2:20p	Arrive:	2:40p	(CP) Flight 2807
		Depart:	4:00p	Arrive:	4:20p	(AC) Flight 1804
		Depart:	4:10p	Arrive:	4:30p	(H3) Flight 1107
		Depart:	4:20p	Arrive:	4:40p	(CP) Flight 2809
		Depart:	5:20p	Arrive:	5:40p	(H3) Flight 1109
		Depart:	5:40p	Arrive:	6:00p	(AC) Flight 1756
		Depart:	6:10p	Arrive:	6:30p	(CP) Flight 2811
		Depart:	7:50p	Arrive:	8:10p	(AC) Flight 1758
		Depart:	10:10p	Arrive:	10:30p	(CP) Flight 2815
		Depart:	11:00p	Arrive:	11:20p	(AC) Flight 1762
From: YVR	To: YYF	Depart:	8:55a	Arrive:	9:45a	(AC) Flight 1725
		Depart:	11:05a	Arrive:	11:55a	(AC) Flight 1774
		Depart:	2:30p	Arrive:	3:25p	(CP) Flight 1288
		Depart:	7:15p	Arrive:	8:05p	(AC) Flight 1778
		Depart:	8:35p	Arrive:	9:30p	(CP) Flight 1268
From: YVR	To: YXS	Depart:	6:50a	Arrive:	8:01a	(CP) Flight 1184
		Depart:	8:50a	Arrive:	9:55a	(WS) Flight 27
		Depart:	9:30a	Arrive:	11:00a	(AC) Flight 1815
		Depart:	10:15a	Arrive:	11:22a	(CP) Flight 1188
		Depart:	2:20p	Arrive:	3:28p	(CP) Flight 1190
		Depart:	4:20p	Arrive:	5:32p	(CP) Flight 1192
		Depart:	4:30p	Arrive:	6:00p	(AC) Flight 1843
		Depart:	5:20p	Arrive:	6:28p	(CP) Flight 1194
		Depart:	6:10p	Arrive:	7:15p	(WS) Flight 31
		Depart:	6:30p	Arrive:	7:38p	(CP) Flight 1196
		Depart:	8:40p	Arrive:	9:48p	(BA) Flight 6483
		Depart:	8:40p	Arrive:	9:48p	(CP) Flight 1198
From: YVR	To: YPR	Depart:	10:05a	Arrive:	11:39a	(CP) Flight 1170
		Depart:	6:10p	Arrive:	7:44p	(CP) Flight 1174
From: YVR	To: YQZ	Depart:	8:10a	Arrive:	9:30a	(AC) Flight 1640
		Depart:	12:50p	Arrive:	2:00p	(AC) Flight 1801
		Depart:	6:40p	Arrive:	8:00p	(AC) Flight 1644
From: YVR	To: YZP	Depart:	8:20a	Arrive:	9:56a	(CP) Flight 1154
From: YVR	To: YYD	Depart:	6:45a	Arrive:	8:38a	(CP) Flight 1162
		Depart:	8:15a	Arrive:	10:00a	(AC) Flight 1727
		Depart:	4:00p	Arrive:	5:50p	(CP) Flight 1166
		Depart:	5:50p	Arrive:	7:35p	(AC) Flight 1738
From: YVR	To: YXT	Depart:	8:00a	Arrive:	9:27a	(CP) Flight 1178
		Depart:	1:30p	Arrive:	3:25p	(AC) Flight 1581

		Depart:	2:00p	Arrive:	3:25p	(CP)	Flight 1180
		Depart:	6:10p	Arrive:	7:35p	(CP)	Flight 1182
From: YVR	To: YYJ	Depart:	7:00a	Arrive:	7:25a	(CP)	Flight 1209
		Depart:	7:00a	Arrive:	7:35a	(JB)	Flight 703
		Depart:	7:00a	Arrive:	7:35a	(8O)	Flight 101
		Depart:	7:10a	Arrive:	7:45a	(H3)	Flight 203
		Depart:	7:30a	Arrive:	8:05a	(JB)	Flight 705
		Depart:	8:00a	Arrive:	8:35a	(JB)	Flight 707
		Depart:	8:00a	Arrive:	8:35a	(8O)	Flight 105
		Depart:	8:05a	Arrive:	8:50a	(JB)	Flight 855
		Depart:	8:10a	Arrive:	8:35a	(CP)	Flight 1211
		Depart:	8:10a	Arrive:	8:45a	(H3)	Flight 205
		Depart:	8:20a	Arrive:	8:50a	(JB)	Flight 855
		Depart:	8:40a	Arrive:	9:15a	(JB)	Flight 709
		Depart:	8:45a	Arrive:	9:10a	(AC)	Flight 1507
		Depart:	9:00a	Arrive:	9:35a	(8O)	Flight 111
		Depart:	9:10a	Arrive:	9:35a	(CP)	Flight 1213
		Depart:	9:10a	Arrive:	9:45a	(JB)	Flight 711
		Depart:	9:10a	Arrive:	9:45a	(H3)	Flight 207
		Depart:	9:55a	Arrive:	10:20a	(CP)	Flight 1217
		Depart:	10:00a	Arrive:	10:35a	(8O)	Flight 117
		Depart:	10:00a	Arrive:	10:35a	(JB)	Flight 713
		Depart:	10:10a	Arrive:	10:35a	(CP)	Flight 1219
		Depart:	10:15a	Arrive:	11:00a	(JB)	Flight 857
		Depart:	10:20a	Arrive:	10:45a	(AC)	Flight 1509
		Depart:	10:30a	Arrive:	11:00a	(JB)	Flight 857
		Depart:	11:00a	Arrive:	11:35a	(JB)	Flight 715
		Depart:	11:10a	Arrive:	11:35a	(CP)	Flight 1221
		Depart:	11:10a	Arrive:	11:45a	(H3)	Flight 211
		Depart:	12:00p	Arrive:	12:25p	(AC)	Flight 1511
		Depart:	12:00p	Arrive:	12:35p	(8O)	Flight 121
		Depart:	12:00p	Arrive:	12:35p	(JB)	Flight 717
		Depart:	12:10p	Arrive:	12:35p	(CP)	Flight 1225
		Depart:	12:20p	Arrive:	12:45p	(AC)	Flight 1503
		Depart:	12:50p	Arrive:	1:35p	(JB)	Flight 859
		Depart:	1:00p	Arrive:	1:35p	(JB)	Flight 735
		Depart:	1:05p	Arrive:	1:35p	(JB)	Flight 859
		Depart:	1:10p	Arrive:	1:35p	(CP)	Flight 1227
		Depart:	1:10p	Arrive:	1:45p	(H3)	Flight 215
		Depart:	1:15p	Arrive:	1:40p	(AC)	Flight 1513
		Depart:	2:00p	Arrive:	2:35p	(JB)	Flight 719
		Depart:	2:00p	Arrive:	2:35p	(8O)	Flight 141
		Depart:	2:00p	Arrive:	6:35p	(WS)	Flight 29
		Depart:	2:05p	Arrive:	2:30p	(AC)	Flight 1515
		Depart:	2:15p	Arrive:	2:40p	(CP)	Flight 1229
		Depart:	2:40p	Arrive:	3:15p	(JB)	Flight 721
		Depart:	3:00p	Arrive:	3:35p	(8O)	Flight 151
		Depart:	3:05p	Arrive:	3:40p	(JB)	Flight 737
		Depart:	3:10p	Arrive:	3:35p	(CP)	Flight 1231
		Depart:	3:10p	Arrive:	3:45p	(H3)	Flight 219
		Depart:	3:30p	Arrive:	4:05p	(JB)	Flight 723
		Depart:	3:40p	Arrive:	4:05p	(AC)	Flight 1517
		Depart:	4:00p	Arrive:	4:35p	(JB)	Flight 725
		Depart:	4:00p	Arrive:	4:35p	(8O)	Flight 161
		Depart:	4:10p	Arrive:	4:35p	(CP)	Flight 1251
		Depart:	4:10p	Arrive:	4:45p	(H3)	Flight 221
		Depart:	4:20p	Arrive:	5:05p	(JB)	Flight 861
		Depart:	4:30p	Arrive:	5:05p	(8O)	Flight 165
		Depart:	4:35p	Arrive:	5:05p	(JB)	Flight 861
		Depart:	4:50p	Arrive:	5:25p	(JB)	Flight 727

		Depart:	5:00p	Arrive:	5:25p	(AC) Flight 1617
		Depart:	5:00p	Arrive:	5:35p	(8O) Flight 171
		Depart:	5:10p	Arrive:	5:35p	(CP) Flight 1235
		Depart:	5:10p	Arrive:	5:45p	(H3) Flight 223
		Depart:	5:10p	Arrive:	5:45p	(JB) Flight 729
		Depart:	5:50p	Arrive:	6:35p	(JB) Flight 863
		Depart:	6:00p	Arrive:	6:25p	(AC) Flight 1521
		Depart:	6:05p	Arrive:	6:35p	(JB) Flight 863
		Depart:	6:15p	Arrive:	6:40p	(CP) Flight 1237
		Depart:	6:15p	Arrive:	6:50p	(JB) Flight 731
		Depart:	6:30p	Arrive:	7:05p	(JB) Flight 733
		Depart:	7:10p	Arrive:	7:35p	(CP) Flight 1239
		Depart:	7:35p	Arrive:	8:00p	(AC) Flight 1628
		Depart:	8:20p	Arrive:	8:45p	(BA) Flight 6553
		Depart:	8:20p	Arrive:	8:45p	(CP) Flight 1241
		Depart:	9:10p	Arrive:	9:35p	(CP) Flight 1243
		Depart:	9:10p	Arrive:	9:35p	(BA) Flight 6545
		Depart:	9:20p	Arrive:	9:45p	(AC) Flight 1527
		Depart:	10:45p	Arrive:	11:10p	(CP) Flight 1245
		Depart:	10:45p	Arrive:	11:10p	(AC) Flight 1533
From: YVR	To: YWL	Depart:	8:10a	Arrive:	10:15a	(AC) Flight 1640
		Depart:	2:15p	Arrive:	3:20p	(AC) Flight 1809
		Depart:	6:40p	Arrive:	8:45p	(AC) Flight 1644
From: YWL	To: YVR	Depart:	10:35a	Arrive:	11:45a	(AC) Flight 1640
		Depart:	3:35p	Arrive:	4:40p	(AC) Flight 1800
		Depart:	9:05p	Arrive:	10:15p	(AC) Flight 1644
From: YYF	To: YVR	Depart:	6:50a	Arrive:	7:45a	(AC) Flight 1771
		Depart:	7:00a	Arrive:	8:00a	(CP) Flight 1287
		Depart:	10:15a	Arrive:	11:15a	(AC) Flight 1773
		Depart:	3:50p	Arrive:	4:50p	(CP) Flight 1289
		Depart:	4:25p	Arrive:	5:25p	(AC) Flight 1779
From: YYF	To: YYC	Depart:	12:15p	Arrive:	2:25p	(AC) Flight 1774
From: YPR	To: YVR	Depart:	12:05p	Arrive:	1:30p	(CP) Flight 1171
		Depart:	8:15p	Arrive:	9:35p	(CP) Flight 1175
From: YZP	To: YVR	Depart:	10:25a	Arrive:	11:52a	(CP) Flight 1155
From: YXT	To: YVR	Depart:	9:55a	Arrive:	11:18a	(CP) Flight 1179
		Depart:	3:45p	Arrive:	5:35p	(AC) Flight 1584
		Depart:	4:00p	Arrive:	5:18p	(CP) Flight 1181
		Depart:	8:05p	Arrive:	9:24p	(CP) Flight 1183

Appendix IV: Survey Questionnaire

McNeal & Associates Consultants Ltd.
500-4440 Stark St.
Richmond, B.C. V7B 1A1
Phone (604) 273-8471
Fax: (604) 273-8496
Email: 103403.2455@compuserve.com

Date:

Total No. of Pages: 5
(including this cover letter)

«Title» «FirstName» «LastName», «JobTitle»
«Company»
«City», «Province»
Fax: «Fax»

Dear «Title» «LastName»:

Re: Impact of Airline Restructuring on Local Airports

The airline industry is going through restructuring and a possible merger of air services between the two major Canadian airlines – Air Canada and Canadian Airlines International. The B.C. Government is concerned about the possible impacts of these changes will bring to local British Columbia airports, especially those that are currently served by the respective regional air carriers and/or their subcontracted third-tier carriers of the two major airlines.

McNeal & Associates Consultants Ltd. has been contracted by the B.C. Government to carry out a study as to the possible impact on employment levels and the financial viability of local B.C. airports in the light of these imminent changes.

We are conducting a survey of some 18 local airports in the province to obtain information to analyze the impact. A questionnaire is enclosed. We earnestly seek your assistance in providing us with the required information for our completion of the analysis. Due to the urgency of the matter, I would appreciate your prompt response by returned the completed questionnaire by fax. I also look to a chance to talk to you on the phone to discuss the issues which are of particular concern to your airport as a follow-up to the questionnaire.

We thank you in advance for your valuable assistance.

Yours truly,
McNeal & Associates Consultants Ltd.

Wayne McNeal
President

WM/ic

Airline Restructuring-Local Airport Impact Analysis
- Questionnaire -

Airport : _____

TRAFFIC INFORMATION

Air Carrier Traffic	Annual Enplaned/Deplaned Passengers	#Cargo (lb.)
1994 (Pre-National Airport Policy)		
1998		
1999 (year to date)		
2000 (est)		

CURRENT SERVICE LEVEL

Flight Frequency (Daily)

	Air Canada AirBC/CMA *	Canadian C'dian Regional/ Coastal Pacific	Other (Please indicate)
1994			
Current Year			
2000 (est)			

Aircraft Type

1994			
Current Year			
2000 (est)			

*CMA: Central Mountain Air

EMPLOYMENT (DIRECT, FULL & PART TIME)

	1994	1999	2000 (est)
Air Carrier Employees			
Airport Employees			
Other			

AIRPORT COSTS AND REVENUES

❑ Operating Costs

	1994	1999 (Current)	2000 (est)
Personnel Expenditures	$	$	$
Personnel Salaries			
Benefits/Allowances			
Personnel Training			
Personnel Travel/Other			
Total Personnel Expenditures			
Non-Personnel Expenditures			
Operational Maintenance			
Airside Maintenance			
- Buildings			
- Maintenance Equipment			
- Material & Supplies			
Air Terminal Building Maintenance			
- Equipment			
- Material & Supplies			
Groundside Maintenance			
- Buildings			
- Equipment			
- Materials & Supplies			
Emergency Response Services (if applicable) (Non-Personnel costs)			
Public Utilities – Heat, electricity, etc			
Telephone/Post/Freight			
Parts & Accessories			
Offices Supplies			
Miscellaneous			
Total Op. Maintenance			

❑ Capital Program Costs

	1994	1999	2000 (est)
Please specify			

Capital Program Costs (Cont'd) 1994 _____ 1999 _____ 2000(est) _____

Have you received federal airport capital assistance program (ACAP) funds since 1994?

Yes ☐ No ☐

If YES, please specify project(s) capital cost and year.

_____

_____

Have you received/provincial air transport assistance program (ATAPs) fund since 1994?

Yes ☐ No ☐

If YES, please specify project(s) capital cost and year.

_____

_____

AIRPORT REVENUES

	1994	1999 (current)	2000 (est)
Landing Fees			
General Terminal Fees			
Passenger Facility Charge (if applicable)			
Rentals			
- Air Carrier			
- Other			
Concessions			
- Air Terminal Building			
- Other			
Parking & Ground Transport			
Other Airport Revenue			
Total Airport Revenues			

Other:

Do you have a passenger facility charge? Yes ☐ No ☐

If YES, what is the amount collected/passenger _____

- Collection by airport _____
- Collection by airlines _____

Business Plan - Does your airport have is a current airport business plan? Yes ☐ No ☐

If YES, can a copy be made available? Yes ☐ No ☐

COMMENTS

If air services by Air Canada and Canadian Airlines are consolidated (including their regional subsidiaries), what impact do you think it will have on your airport?

Questionnaire completed by: _____

Title _____

Date _____

Thank You Very Much for Your Time and Assistance

Appendix V: Airport Manager's Comments

- **Kelowna Airport**

With Westjet and Horizon both serving YLW with high frequency operations, we do not anticipate any major impact on air service to destinations in Western Canada and the United States.

The most probable impact will be decreased competition and higher fares on long haul domestic routes.

- **Cranbrook Airport**

As Cranbrook charges a per passenger fee rather than landing and terminal fees, the impact of losing flights will not impact our revenues, unless costs of the ticket go up.

Our biggest fear is that without competition there will be no incentive to keep fares down or have seat sales.

Customers will likely not see the service currently in place, with less frequency to their destinations. I have attached a letter sent to Mr. Farnworth by our President that details our view of the situation.

- **Comox**

Landing Fees—No impact on CVAC as accrue to DND
PFC/Terminal Charges—Reduction of 10%, as unlikely to be able to meet peak demand. Predict airline will offer 90% capacity

Higher airfares will increase market leakage.

ERS—No impact on Comox as DND provides ERS through landing fees. CVAC predicts requirements for ERS will have a serious negative impact on airports.

- **Terrace**

-less frequent service and possibly no service during the winder markets. Terrace, because of its weather has a high frequency of missed flights. If CARS 602.129 and 602.130 are enacted, airlines and the travelling public my view Terrace as unreliable with a consequent change in travel patterns.
-less revenue from: reduced counter space, office space, baggage make-up areas, reduction in airline staff, airport staff and the consequent impact on the community.
-less or no competition may result in fewer discount air fares.
-if CAR 303 is enacted it will cost this airport $500K-who will pay given reduced service and reduced PAX #'s

- **Kamloops**

See Letter attached.

- **Castlegar**

Our expectation that the result of consolidation will be a rationalization of the current air service schedules. This could result unless head to head scheduled flights and perhaps a reduction of overall frequency. Instead of 2 aircraft going to Vancouver or Calgary half empty at the same time, only one will

be seen as necessary. If the size of aircraft used remains the same the frequency may increase. If the frequency remains the same the size of the aircraft used may increase. Passenger traffic remains consistently in the 75K to 85 K range each year.

- **Nanaimo**

Nanaimo airport has seen many changes to its air carrier service since its inception. We have seen equipment changes from small to large and from large to small. We have seen changes to the flight schedules from a low frequency to high and from high to low. The one factor that has stayed consistent is ever increasing number of travelers. Whether one carrier or many are servicing them, we feel that the demand for airline service will reamin despite whatever changes may occur to Canada's 2 main airlines.

- **Fort St. John**

No Comments

- **Quesnel**

We are concerned that our service will be less. Quesnel airport is already suffering because Westjet introduced service to Vancouver and Victoria from Prince George in May. We are approximately 1 hour from Prince George. Air BC very slow at introducing lower price fare here and restrictions apply. We also have poor flight times into Vancouver.

- **Williams Lake**

Since the City of Williams Lake took over the airport from Transport Canada January 1 1997 we do not have any 1994 data. If air services are consolidated our airport my lack future growth. Already with Westjet flying into Prince George our passenger count has decreased. Our airport needs lower fares with better route times. As the airport operates in a deficit position, any lack of competition could only reduce our financial viability. I look forward to receiving any results you have from this survey.

- **Prince George**

-Minimal impact with major service to Vancouver—Westjet provides competition and additional capacity (strong route)
-Will enhance mini hubbing to smaller communities—to feed Vancouver flights. Westjet and a stronger regional carier.
-Revenues lost may be offset by increase Westjet flights and additional tier 3 flights.
-Reduced competition may reduce operating window—reduced schedule is detrimental to business but reduces operational costs.

- **Prince Rupert**

The Prince Rupert impact would be huge if the subsidiaries discontinued service into Prince Rupert. Currently Prince Rupert has scheduled flights only by Canadian Regional.

- **Victoria**

Please refer to attached address by Richard to the Joint Canadian Airports Council.

- **Dawson Creek**

Since the airport is serviced by Air Canada's tier three carriers, Central Mountain Air, we believe there will be minimal impact.

Richard Paquette's Address to the Joint Canadian Airports Council and Airports Council International Session
December 8, 1999

My topic is the implications of Canadian aviation restructuring on smaller airports and smaller communities.

This is a difficult subject. With all the recent turmoil in our industry, we really don't know what form the restructuring will take. How can we say what the implications will be? There is no route map to show where we are headed. We know for sure that the future will not be like the past. You can't tell where you are going today by looking in the rear view mirror.

I don't claim any special insight, but I did have to develop next year's budget for Victoria Airport Authority, so I'll give you the logic that I used in Victoria to prepare our Year 2000 Operating Budget. Here are the basic assumptions:

1. Everybody in this industry supports competition.

2. Good healthy competition in the airline industry seems to mean a fight to the death.

3. The reward for successful competition is all too often a monopoly or at least market dominance. Nobody seems to be satisfied with a 35% market share in this industry.

4. The present situation with two full service national carriers fighting to the death is unsustainable.

5. Canadian Airlines is on the ropes and there is no way they will get back up. In fact, the Board of Directors of Canadian Airlines has raised the white flag and is recommending that its shareholders accept Air Canada's offer.

6. Regardless of what Air Canada says about operating Canadian as an independent subsidiary, it is really not practical in the long run.

7. Air Canada's plan to develop a low cost, low fare subsidiary will face significant obstacles. You may have read the recent comments of the Head of the Competition Bureau, he said:

    - "Air Canada's plan would clearly not provide honest competition.
    - I mean, two companies owned by the same shareholders, why would they compete against each other?

- The concept of an independent East jet would be good for consumers, but it would be best if anybody but Air Canada owned it."

Obviously Air Canada has a few hurdles to overcome to obtain the approval of the Competition Bureau. Even a larger issue could be their own Unions My conclusion is that we will not see Air Canada's low cost subsidiary for a long time, at least not in Western Canada.

8. We have concluded that the industry will be consolidated, and there will be just one national carrier by the end of next year.

9. We have both Canadian Regional Airlines and airBC operating at Victoria. We assume that one national carrier will mean one regional connector. The National Post has reported that Ottawa plans to insist that any new national carrier must sell most, if not all, of its affiliated regional airlines to create a measure of competition. Recently there have been contrary reports. I don't know, even if Air Canada is forced to sell, if it will make a real difference to consumers. I don't think that there can be serious competition between regional carriers, one with a relationship with the national carrier and one without.

10. We have concluded at Victoria (YYJ), the single national carrier will have a single regional connector which will operate fewer flights and larger aircraft, load factors will rise, fares will rise (fewer discounted seats), and they will have fewer passengers (we have forecasted 10% fewer). In our case this will be offset by more capacity from WestJet, and Horizon Air, our transborder carrier linked with the Alaska group.

11. We have not forecast a significant increase in charter traffic in 2000 because we think initially they will concentrate on the opportunities in major Canadian markets.

12. Overall we are forecasting a 3-5% decline in passengers at YYJ in the Year 2000.

13. Aeronautical revenue will be reduced and we will receive less rent for exclusive use airline space.

14. All of this is based on the assumption that there will be a merger of the carriers, and a rationalization of capacity over a reasonable period of time. Canadian Regional Airlines is our largest airline in terms of passengers and aircraft. If they were to fail and stop operating, the effects would be much, much worse on the Airport and on travellers than if the merger proceeds as reported.

Overall in Victoria the impact is not good but we will survive, but what about other communities? I think the large airports and bigger communities will do fine. The communities most at risk are the smaller ones, which presently have service from two national carriers or their connectors. They will see service cut substantially.

Most of these airports have already been transferred to Municipalities, some to Local Airport Authorities. These airports are "skinny chickens." They are barely surviving now. Consider the cumulative effect of reduced revenue coupled with the cost increases associated with Transport Canada's proposed new firefighter regulations. If the proposed firefighter regulations are approved, the cost will have to be passed on to carriers in the form of higher aviation fees. Regional carriers will respond to higher costs and a less competitive environment with fares that are even higher than current levels, which are already beyond the reach of many people who live outside our major centres.

I am afraid that there will be casualties. Some communities will lose their air service. The ones that are most vulnerable are those that are within easy driving distance to larger centres which enjoy competitive air service from carriers such as WestJet.

In the West there is growing tension between regional carriers and small airports over airport fees. Airline restructuring will make matters worse. There is a real need for airlines and airports to work together on this subject.

I want to make one last point on the impact of changes in the aviation industry - that is the role of big unions vis a vis a new and bigger single national carrier. Clearly the position of the major unions will be strengthened. Many people already think they are too strong. In Victoria we had a first hand example of this problem:

- Last Summer Air Canada (AC) introduced seasonal service in Victoria with an A319 non-stop to Toronto.
- The service enjoyed high load factors. It was a great success - just what our community wanted on a year round basis.
- Soon after the service was established, Air Canada concluded an agreement with the IAM giving them the exclusive right to handle AC flights in Canada, but Victoria is served by airBC, whose staff are not members of the same union.
- Air Canada had to fly four IAM members over in the morning from Vancouver then back again to handle the departure. The process was repeated again in the evening. The service was terminated at the end of the trial period. We expect that it will be difficult for Air Canada to justify resuming this service with the exceptionally high non-market costs resulting from their labour agreement.

- Air Canada made the deal it had to for labour peace, but they have placed a major competitive barrier to the service aspirations of communities and airports that do not have Air Canada staff on site.

- This is just one example, how many other deals will be made with big unions, which work to the disadvantage of communities and consumers when a large and less competitive national carrier sits down to bargain with even stronger unions?

To sum up, the effects of recent aviation restructuring are not good - not good for consumers, and certainly not good for the West, where employment loss will be felt hardest. It is also the smaller regional airports and communities which will be hurt the most. There is lots of pressure on the Government to react with increased regulation. I hope the temptation will be resisted and Government will let free market forces take effect.

In my view the Government should:

- Provide financial support to smaller communities by increasing the Airport Capital Assistance Program to $100 million per annum - at least.

- Broaden Airport Capital Assistance Program eligibility criteria and open it up to all airports with under 1.5 million passengers per annum.

- Open the leases and review the rent paid by Airport Authorities to the Crown. This rent was established based on revenue from two national carriers.

- Ensure current competition regulation is working effectively, and temper the power of large carriers to destroy upstart competition.

- Carefully think through the proposed firefighting regulations to ensure they are affordable to small airports and small communities.

There has never been a shortage of people prepared to invest and unfortunately lose money in the airline industry. We should have faith that the free market will ultimately work to the benefit of all Canadians.

Thanks for the opportunity to speak to you today.

December 19, 1999

Ministry of Employment and Investment
PO Box 9046 Stn Provincial Government
Victoria BC
V8W 9E2

SENT BY FACS

Re: Airline Restructuring in Canada

Dear Minister Farnworth

Thank you for the opportunity to respond to your letter. My response has taken longer than it should have due to travel commitments and I apologize for that.

First of all, Mr. Minister, we share the same concerns that you express in your letter; namely a commitment to provide affordable and quality service to regional airports in British Columbia, the employment of the workers involved and thirdly, the best quality service for consumers, including competitive air fares. I will comment on the Moncrieff Executive Summary in areas which impact on our company.

We agree with the conclusions on Regional Air Services/Service Levels. We are concerned with the effects a monopoly would have on airports in terms of price and frequency. We agree that there is a direct correlation between the level of competition and benefits to consumers.

If there is one issue that is raised more than any other in the communities in which we operate, it is the fares already charged the consumer at cities such as Kamloops, Cranbrook, Fort St. John, etc. Were these cities to go to one airline, it would only decrease the possibility of lower fares, as today the airlines only introduce competitive fares during competitive seat sales or when forced to do so by a discount carrier such as Westjet. For example, the regular fare from Kamloops to Vancouver is $470.00 return, whereas the return fare from Kelowna to Vancouver (one of comparable distance) and a route also flown by Westjet, is $89.00. To a great degree the difference between a Westjet and our two major airlines is debt, labour costs and productivity.

Contrary to larger airports where more airline choices are available, the frequency and services provided at smaller regional centers will most likely decline, as consumers have no other airlines to choose from. Regional airlines fly at approximately 50% capacity on average. The opportunity is there to reduce frequency, increase load factor and therefore reduce customer service. This will not likely be reflected in the price of a ticket however. It is interesting to note in the financial information filed to support the Onex and Air Canada offers that Canadian Regional does make a small profit. One could argue that consolidation and frequency reduction with the resulting revenue increase could therefore also be required to be reflected in the price of a ticket.

With respect to the conclusion on Regional Air Services/Effect on Local Airports, note the following comments. Office and counter space reductions are not a major concern since the revenue generated here is marginal to the overall requirement of the airport. What is a concern is the overall effect on revenues due to the loss of landing fees and general terminal fees. In Kamloops in 1998, just the impact of a frequency reduction and change in size of aircraft reduced revenues by over $200,000 with no reduction in passengers flowing through the airport. To protect airport revenues, we are introducing a passenger based fee to calculate operations cost recovery at our airports. This

eliminates the ability of the airline to impact airport revenue by manipulating frequency and size of airplane. The airlines countered by introducing an airport surcharge which effectively moved their operating costs to revenue rather than an expense on their balance sheet. This tactic has just been ruled by the Canadian Transportation Agency as illegal and the airlines have been ordered to remove the surcharge.

Regarding the comment that large international airports no longer cross-subsidize smaller facilities, they never did. Prior to devolution, only two airports in Canada made money - using the federal method of "keeping the books" i.e. costs of capital, overhead for regional and headquarters, property taxes etc. etc were excluded. A business approach would likely have shown all airports lost money and thus the whole system was subsidized.

Airport staffs are already reduced to 5 or 6 employees and cannot go much lower - if at all. Once maintenance is deferred and hours are reduced, long term capital costs will increase and service levels will be reduced. This is not what we want in our communities. Airports are also required for medivacs and forest firefighting, services the community expects. A remote location cannot expect the same level of service as Vancouver but it should not mean no access at all to necessary services.

We believe that the best way to advance provincial interests is to continue to be heard through the provincial government, the Union of British Columbia Municipalities and the British Columbia Aviation Council Airports Committee. We cannot present emotional arguments; they must be factual and related to the economic argument that the airlines can provide service at reasonable prices to our communities. We must also look closely at the cost of airport operations. Communities have reduced costs substantially but there are some opportunities for further reduction. Professional operators such as ourselves can provide a high level of service to communities but a simple application of property taxes precludes this from being a viable option for most communities. We must be vigilant with respect to Transport Canada, the regulator. Since they no longer operate airports, they no longer have the cost discipline when introducing new regulations. A simple example is the proposed reintroduction of firefighting services at smaller services. This increased cost burden could force the closure of some BC airports.

Our airport managers are active in various airport associations and have been actively working on addressing the issues we are facing. As mentioned above, an example is moving from Landing and Terminal Fees to a per passenger based fee which will minimize the impact of changes in carrier or size of aircraft to our regional airports and in providing direct input to Transport Canada on the negative impacts of proposed regulations.

We are also in discussions with the regional airlines, looking at how we can work together to ensure the needs of the airlines, the airports and especially the consumer, are not compromised.

We will continue to work towards building a better future for the aviation industry in BC, and appreciate the efforts your office is taking on our behalf.

Yours truly,

Frank O'Neill

Appendix VI: Federal Government Legislation

❑ Federal Government Legislation

♦ *Background*

On August 13, 1999, the Federal Government used its authority under the Canada Transportation Act and initiated a special 90-day process to facilitate restructuring of the Canadian airline industry. This led to a change in government policy resulting in recent new government legislation.

The government's original concern was a potential disruption in the country's air transportation system resulting from Canadian Airlines' weak financial position. To avert this problem, the government encouraged proposals for a major restructuring of the airline industry, free from normal oversight from the Competition Bureau. However, when it became clear that these proposals could lead to the creation of one large air carrier through merger, acquisition or other means, the government reacted by changing its policy framework to ensure that the public interest was considered in any major restructuring which could lead to a monopoly situation.

At the same time, the government recognized that a strong, single air-carrier would be a major competitor in the global airline industry and that capacity adjustments on Canadian routes could result in a more efficient use of resources and lower costs. On the other hand, the emergence of a dominant air carrier raised a number of public policy issues. The lessening of competition in the domestic market could result in higher prices, less frequent service on some routes, and lower quality service. Also of concern were the possible effects on services to smaller communities and on levels of employment in the airline and airline-related industries.

♦ Competition Bureau

On August 30, 1999, the Minister of Transport asked the Competition Bureau for its views on the competition issues related to a potential restructuring. On October 22, 1999, the Competition Bureau responded with its views and comments. The response addressed the competition concerns and identified the market areas that would be most affected by reduced competition. The Competition Bureau also examined possible ways of creating favourable conditions for existing competitors to expand and for new entrants to introduce air services. The Bureau's recommendations included reducing entry barriers, facilitating new entry and expansion by remaining competitors, and restricting the ability of the dominant carrier to engage in anti-competitive acts. The Competition Bureau's recommendations were divided into four themes:

1. Possible terms of restructuring
2. Possible changes in government policy
3. Possible regulatory changes
4. Possible legislative changes

♦ Policy Framework

On October 26, 1999, The Minister of Transport issued "A Policy Framework for Airline Restructuring in Canada" and announced pending legislation aimed to protect the public interest. The policy framework addressed a number of objectives for the government to achieve through legislation, a restructuring of requirements, and through commitments from a dominant carrier (Air Canada). Some of these policy objectives included:

1) Canadian Ownership and Control

- Ensure that Canadians retain control of the Canadian airline industry.

2) Competition

- Foster competition by reducing barriers to new entries and by encouraging existing operations to expand into new markets.
- Develop effective measures for dealing with predatory behaviour in the airline industry.
- Ensure that access to airport facilities is allocated to permit competitive domestic services.

3) Pricing
- Maintain reasonable airfares through competition rather than government intervention.
- Broaden the Canada Transportation Act to address dominance as well as monopoly and to include prices in addition to basic fares.
- Demand commitments from the dominant carrier concerning pricing during the restructuring process.

4) Service to Small Communities
- Ensure continued services to smaller communities by reducing entry barriers for new entrants and by protecting them from possible predatory behaviour by the dominant carrier.
- Review the Canada Transportation Act to determine if provisions are sufficient with regard to notice of intent concerning termination of service.
- Request feedback from small communities regarding the service from the dominant carrier during the restructuring process

5) Rights and Concerns of Employees
- Insist that employees are treated fairly during any major restructuring.

In developing a restructuring process, the Minister of Transport noted that legislation would be introduced to authorize the government to review and approve any restructuring proposal and to apply conditions and issue regulations relevant to all policy issues arising from airline industry restructuring. The Minister of Transport also asked the House Standing Committee on Transport (SCOT), and the Senate Standing Committee on Transportation and Communications to examine the policy framework so that their views could be considered in drafting subsequent legislation.

♦ **Parliamentary Committees**

SCOT and the Senate Committee on Transportation and Communications submitted their respective reports in December 1999. These reports addressed the following issues as requested by the Minister of Transport.

- whether the 10% limit on individual share holdings in Air Canada should be raised
- ways to implement competition measures
- how section 66 of the Canada Transportation Act could be amended to address price gouging
- how sections 64 and 65 of the Canada Transportation Act could be amended to address service to small communities
- how to ensure the fair treatment of employees
- how the industry could be effectively monitored

The recommendations made by both parliamentary committees regarding service to small communities is relevant when discussing possible impacts on British Columbia's community airports.

The Senate Committee on Transportation and Communications noted the problems faced by small communities under any restructuring scenario. Specific concerns were raised with regards to the potential reduction or termination of air service to smaller communities. In the north, the Committee noted that, since there may often be no alternative means of transportation, it is an essential service. The Committee also noted that costs incurred by small airports are already rising and could be further jeopardized by

revenue losses in situations where flight frequencies are reduced. The Committee suggested a need for the government to review its pricing and rental policies for small airports under the restructuring scenario. They recommended:

> "that sections 64 and 65 of the Canada Transportation Act be strengthened to guarantee that existing service from a dominant carrier to all communities now served by Air Canada and Canadian Airlines be continued. In the light of restructuring, the government review its pricing and rental policies at small airports bearing in mind their role as essential parts of the natural transportation infrastructure."

SCOT also made a number of recommendations related to service to small communities. These include:

- The government should require that a dominant carrier and any wholly-owned affiliates continue service to small and remote communities for a three-year period notwithstanding sections 64 and 65 of the Canada Transportation Act. This condition should apply for a three-year period unless a new or existing carrier provides service of a similar quality and price.
- In a dominant carrier scenario, if an independent carrier ceases to provide scheduled air services, the government should request that the dominant carrier operate these routes for a one-year period.
- The Canada Transportation Act should be amended to require all air carriers to give 48 hours notice to the Canadian Transportation Agency prior to initiating a service disruption. The Agency should then inform the public and affected airports.
- The government should review funding and eligibility for its Airports Capital Assistance Program with specific regards to financially vulnerable airports and assess whether the Program could be expanded to include airport operational costs in order to preserve essential air services to these airports. Furthermore, the government should examine the impact of the devolution of airports and means by which emergency response services should be financed.
- The government should require that the dominant carrier abide by conditions designed to lower and/or eliminate entry barriers for new and existing carriers while also abiding by conditions to protect consumers, airline employees and residents of small and remote communities. The government should be assured of the dominant carrier's agreement to abide by these, and all other conditions prior to granting approval. Furthermore, compliance must be monitored on an ongoing basis.

Legislation

On February 17, 2000 the Minister of Transport tabled legislation to deal with airline restructuring. A summary of the legislation provides the following consumer protection measures:

- increased powers of the Canadian Transportation Agency (CTA) to prevent price gouging
- restored powers for the CTA in dealing with conditions of carriage for domestic service
- improved notice of exit provisions to minimize or prevent service disruptions and ensure dialogue between airlines and communities
- a requirement that services provided to customers by Air Canada and its air service affiliates comply with the Official Languages Act where there is significant demand
- the appointment of an independent observer who will monitor and assess the impact of airline restructuring over the next 18-24 months and report to Parliament through the Minister of Transport
- the government intends to accelerate present work concerning regulation and legislative responses to the problems of air rage

The newly introduced measures to foster competition include:

- new powers for the Competition Bureau to regulate anti-competitive behavior in the airline industry
- new powers for the Competition Bureau to issue temporary orders to stop predatory behavior
- a prohibition of exclusive-use clauses in confidential contracts for domestic service in order to encourage competition for corporate travel
- more freedom for travel agents to negotiate more effectively with a dominant carrier on domestic commissions.

It should be noted that the legislation does not include foreign competition on domestic routes as an option for providing competition.

The new legislation also includes severe enforcement measures for non-compliance with the competition undertakings or commitments made by Air Canada on December 21, 1999. These measures include a maximum penalty of five years imprisonment or a $10 million fine or both

The legislation addresses service to small communities by:

- restoring the notice period to 120 days and require that a carrier give notice when more than 50% of weekly passenger seats are being withdrawn from a route, regardless of how many other carriers would remain on that route.
- requiring any carrier giving such notice to provide an opportunity for elected officials of the community to meet with it to discuss the impact of the proposed reduction or cancellation of service.
- incorporating into legislation the commitment on service made by Air Canada to the government on December 21, 1999 in order to make it legally binding and enforceable. Air Canada committed to continue domestic service to communities being served by Air Canada, Canadian Airlines and their wholly-owned subsidiaries for a three-year period.